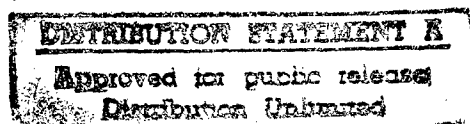




# ***JPRS Report***



# **China**

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19 November 1991

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## NATIONAL AFFAIRS, POLICY

### State Council Approves Shareholding Experiments

91CE0759C Hong Kong CHING-CHI TAO-PAO  
[ECONOMIC REPORTER] in Chinese No 33,  
19 Aug 91 p 24

[Article: "Expanding the Number of Shareholding Reform Experiments"]

[Text] Several cities in China's inland provinces have been exploring the possibility of establishing shareholding systems in enterprises, turning shares into securities, and setting up securities markets. The establishment of a shareholding system, a reform which generated vigorous debates among economists a few years ago, has been attracting much interest again recently.

China is a socialist country. Public ownership is the main form of ownership, and many people feel reservations about the shareholding system; it inspires in them the same sort of fright one might feel upon learning of a wild tiger on the loose. Some people, due to the influence of traditional ways of thinking, equate the shareholding system with capitalism. For this reason, there is still debate in the inland provinces about whether the shareholding system is capitalist or socialist in nature. In recent academic conferences, the prevailing opinion has been that the shareholding system is not synonymous with capitalism, but is a neutral term associated with the commodity economy; it has no direct link with the system of ownership.

In reality, in enterprises which have implemented the shareholding system, different types of property are clearly defined. State-owned property, collectively owned property, and privately owned property all have specific representatives. No one can embezzle public property; on the contrary, ownership rights over public property are effectively preserved. As for allowing private individuals to own stocks, the fact that we are in the initial stages of socialism determines the existence of this phenomenon.

The advantage of the shareholding system is that by concentrating funds, it can convert some consumption funds into production funds and promote the development of production. It is also a new way to attract foreign funds. Furthermore, it helps enterprises to develop themselves and discipline themselves, spurs them to take a more active role in their business activities, and promotes economic benefits. For this reason, this reform is necessary to get enterprises to carry out business activities in a self-reliant manner and to take responsibility for their own profits and losses.

The experimental shareholding system reform in Shenzhen has provided ample proof that the implementation of the shareholding system in state-run enterprises has clarified the issue of ownership and has optimized enterprise operation mechanisms as well as valorization mechanisms for state property. It has not changed the

nature of ownership. State ownership was by far the predominant form of ownership to start with, and since the implementation of the shareholding system, stock owned by state-owned enterprises has been dominant in enterprises under the jurisdiction of the state, state-run enterprises under local jurisdiction, state-run enterprises linking coastal and inland areas, and joint and cooperative ventures with foreign countries.

A study has indicated that one year after the implementation of the shareholding system in the five companies listed on the Shenzhen Stock Exchange, output value at these companies is 100 percent higher than one year prior to the implementation of this system. Over the same period, total profits grew 215 percent, taxes handed over to the state grew 253 percent, net assets grew 87 percent, fixed assets grew 155 percent, and average monthly salary income for workers and staff grew 63 percent. In three of these listed companies, state-owned assets increased 226 percent over this period. Economic benefits for these enterprises showed a clear improvement. In the distribution of profits, state income increased at a quicker pace than that of enterprises or individuals. The appreciation of state-owned assets was the fastest.

State-owned assets have been assessed and their ownership has been clarified, and the current phase of the shareholding system reform is building upon this foundation by developing cross shareholding among enterprises, establishing joint stock operations, organizing enterprise groups, encouraging state-run enterprises to exchange some of their stocks on an equal value basis, and gradually converting state investment corporations into state holding corporations which will purchase controlling or minority interests in listed companies.

It is reported that the State Council, which had originally only approved shareholding experiments in Shenzhen and Shanghai, has now agreed to shareholding experiments in Guangzhou, Tianjin, Shenyang, and three other cities. Because the "Law on Corporations" has not yet been promulgated, these experiments will be carried out with special caution. However, the expanding scope of the experiment is a clear indication that authorities have given an even greater degree of approval to the shareholding reform.

### Current Status of Large, Medium-Sized Enterprises

91CE0759B Hong Kong CHING-CHI TAO-PAO  
[ECONOMIC REPORTER] in Chinese No 33,  
19 Aug 91 p 9

[Article by Feng Lin (2800 2651): "Analysis of the Current Health of Large- and Medium-Sized State Run Enterprises"]

[Text] In recent years, Chinese authorities have been paying more and more attention to state-run large- and medium-sized enterprises. There are three main reasons

for this. First, state-run large- and medium-size enterprises are the mainstay of the national economy. There are now about 13,000 such enterprises, and although they only account for 2.7 percent of all industrial enterprises, they possess two-thirds of all fixed assets, account for 40 percent of total industrial output value, and contribute 60 percent of profit taxes. Second, economic benefits for these enterprises are shrinking. In 1990, even though the total profits and taxes of state-run enterprises within the budget fell more than 18.5 percent, tax rates on sales and profits dropped 3.6 percentage points, and the profit rate on funds dropped 5.6 percentage points, the total profits of state-run industrial enterprises still fell 17.5 percent in the first half of this year. Third, these state-run large- and medium-sized enterprises have been termed the backbone of the socialist economy. They are said to manifest the socialist orientation of China's economy, so the failure to revitalize large- and medium-sized enterprises would not just be an economic problem, but would raise serious political issues, such as the question of whether the superiority of the socialist system can be demonstrated, and whether it is possible to adhere to the socialist orientation.

In reality, it is not that all state-run large- and medium-sized enterprises are in the doldrums. From the perspective of economic benefits and their level of development, these enterprises can basically be classified into three categories:

The first category includes enterprises which are quite healthy, yield high economic benefits, and show potential for further development. However, this category only accounts for about 20 percent of all large- and medium-sized state-run enterprises. This group includes Shanghai Cotton Mill No. 17, Jihua Corporation, Capital Steel Corporation, Shanghai Steel Plant No. 5, Beijing Yan-shan Petrochemicals, Wuhan Steel, Automobile Factory No. 2, and Dalian Refrigerator Factory, as well as all 133 state first class enterprises. Their profit rate on funds average 56.6 percent, which is 2.9 times higher than that for state-run large- and medium-sized enterprises as a whole.

The second category consists of enterprises whose autonomy is subject to various restrictions and whose production and management mechanisms fail to meet requirements for the development of a commodity economy. They are subject to quite a bit of outside interference, they lack much capacity for expanding their markets, their potential for further development is insufficient, and they yield rather pedestrian economic benefits. This category accounts for one-half of all state-run large- and medium-sized enterprises.

The third category consists of enterprises with inferior management, products which sell poorly, and backward technology. There is little variety in their products and they yield very low economic benefits. In some of these enterprises, equipment is outmoded, losses are severe,

and liabilities exceed assets. This category accounts for 30 percent of all state-run large- and medium-sized enterprises.

If we are to revitalize state-run large- and medium-sized enterprises, we must carry out concrete analyses of different classes of enterprises. We cannot treat the problem with a broad brush, but must tailor our guidance to actual circumstances so that enterprises which meet requirements for industrial development and which are likely to satisfy market demand will truly regain their vitality while other enterprises which are not worth saving will be eliminated.

### Minorities' Living Standards on Rise

OW2410213291 Beijing XINHUA Domestic Service  
in Chinese 0510 GMT 24 Oct 91

[By correspondent Zhai Xin (6392 2502) and reporter Wang Jinfu (3076 6855 4395)]

[Text] Beijing, 24 Oct (XINHUA)—Since the start of reform and opening to the outside world, the living conditions of people of minority nationalities in our country has undergone a great change. The income, consumption, and savings of people living in nationality areas have been increasing constantly.

According to information provided by the State Nationality Affairs Commission, the per capita income of peasants and herdsmen in nationality autonomous areas was 320 yuan in 1985, and the amount rose to 546 yuan in 1990, with an annual increase of 9.8 percent. The average annual wages of staff members and workers of state and collective enterprises was 816 yuan in 1981, and it rose to 2,040 yuan in 1990, with an average annual increase of 10.7 percent. The statistical data show that sources of income of workers, peasants, and herdsmen in nationality autonomous areas have increased. Staff members and workers now do not simply rely on their wages for living. Besides wages, they have bonuses and income from individual business operations and other sources. The sources of income of peasants and herdsmen are also not limited to agriculture and animal husbandry. Income from diversified operations and tertiary industries now account for a good proportion of the total income of peasants and herdsmen. It was learned that the number of nationality autonomous counties where the per capita annual income exceeds 700 yuan has increased from 17 in 1986 to 87 in 1990, accounting for 13.5 percent of the number of counties in nationality autonomous areas in the country.

In the wake of increasing incomes, the level of consumption of urban and rural residents in nationality autonomous areas has been rising constantly. According to a statistical report, the total amount of retail sales of commodities in nationality autonomous areas was 20.3 billion yuan in 1980, and the amount rose to 78.1 billion yuan in 1990, with an annual increase of 13.7 percent. Now people of minority nationalities have begun to pay attention to the quality of their food in addition to just

quantity, like they did in the past. Their spending money on clothes has also changed from unitary to diversified tastes. The consumption and variety of commodities used by people of minority nationalities are also on the rise. People in those relatively developed national autonomous areas have begun to buy refrigerators, color television sets, and other high-grade consumer goods. According to a statistical report, in 1990, each 100 households in Inner Mongolia, Xinjiang, and three other autonomous regions have 38.7 radios, 32.4 tape recorders, and 59.6 TV sets.

Urban and rural residents' savings have also increased by a great extent. It was learned that, as of the end of 1980, the total amount of savings deposit of urban and rural residents in nationality autonomous areas was 3.8 billion yuan, and the amount rose to 62.3 billion as of the end of 1990.

## PROVINCIAL

### Zhejiang Takes Measures To Curb Stockpiling

OW0311012691 Beijing XINHUA Domestic Service  
in Chinese 1543 GMT 30 Oct 91

[By reporter trainee Sun Fu (1327 8099)]

[Text] Hangzhou, 30 Oct (XINHUA)—A meeting on curtailing production and stockpiling opened in Zhejiang Province today. Reporters have learned from the meeting that authorities in Zhejiang Province are forcibly restricting production and stockpiling by regulating the supply of energy, materials, and credit. Electric utilities, materials supply departments, and banks have stopped providing energy, materials, and credit to enterprises that continue to manufacture unsalable products in violation of production restriction plans.

Some economic indicators in Zhejiang Province have improved since the beginning of this year; however, outlays of funds reserved for three purposes remain high. Massive stockpiling of finished goods is inhibiting normal economic development in the province. Funds used by centrally budgeted, state-run industrial enterprises for the three purposes totaled 8.02 billion yuan from January through September. Of this, 3.887 billion yuan, or 14.36 percent of total industrial output value for the period, was used to manufacture finished products.

After reaching a common understanding in September, departments at all levels in Zhejiang Province have adopted many stringent policies and measures. Some leaders of prefectures, cities, and competent departments have signed responsibility contracts to reduce funds for finished goods. Some prefectures and cities have set targets to limit the three types of funds and to link production restriction with credit extension. After conducting thorough surveys, relevant provincial departments have compiled a list of 115 kinds of commodities whose production is to be increased, restricted, and suspended. They have transmitted the list to units at

various levels for implementation in specific enterprises with regard to specific goods. The provincial government has sent investigative teams to various localities to inspect implemental efforts. It has published press information about efforts by various prefectures and cities to curtail production and stockpiling.

To facilitate implementation of the stringent measures, authorities in Zhejiang Province reportedly have urged all localities to readjust their industrial production plans for the last two months of this year. These localities have been asked to specify the types of enterprises and commodities whose production they plan to increase, restrict, reduce, suspend, or convert. They have also been asked to link the implementation of targets with the availability of energy, materials, and credit.

Electric power departments at all levels in Zhejiang Province have taken the lead in supplying electricity according to a list of enterprises and products that are to be supported, restricted, or suspended.

### Shaanxi Meeting Addresses State Enterprise Problems

#### Party, Government, Industry, Academia Air Views

92CE0050A Xian RENWEN ZAZHI [JOURNAL OF THE HUMANITIES] in Chinese  
No 4, 5 Jul 91 pp 79-82

[Article by Yang Mingli (2799 2494 7787): "Shaanxi Meeting Addresses State Enterprise Problems"]

[Text] On 16-17 April 1991, the Research Group of the Shaanxi Provincial Party Committee and the editorial department of RENWEN ZAZHI jointly held the State-Owned Large and Medium Size Enterprise reform symposium. More than 30 delegates from provincial party and government organs, enterprises, and academia participated. Comrades at the symposium engaged in spirited discussion on a number of issues connected with the question of how to revitalize large- and medium-sized enterprises, including how to improve the external environment and internal mechanisms of large- and medium-sized enterprises, how to assess the contracting system and identify the target model to be achieved via enterprise reform, and how to establish enterprise groups. All of these issues are of great concern to economists. The viewpoints of the comrades in attendance are summarized below.

#### I. Reasons Why Large- and Medium-Sized Enterprises Lack Vitality, Measures To Resolve the Problem

Participants stated that an enterprise's vitality or lack thereof depends upon whether it has autonomous operations, takes responsibility for its own profits and losses, accumulates its own funds, and takes care of its own development. In concrete, the vitality of an enterprise should be assessed according to the following standards: 1) Is the enterprise competitive? Can it adapt to the market? Can it consolidate and increase its market

share? Can it develop new markets? 2) Are the enterprise's economic benefits continually rising? 3) Do enterprise assets maintain value and appreciate? 4) Is the internal quality of the enterprise (including the quality of equipment, workers and staff, and management) continually improving? 5) Are the assets and the technology of the enterprise structured in such a way as to provide momentum for future development? Comrades in attendance stated that the great majority of state-owned large- and medium-sized enterprises do not appear strong when measured against these criteria.

What is the reason for this? Some comrades classify the causes under two main categories. With respect to internal enterprise mechanisms, under the current enterprise system, enterprises are a subordinate arm of the government, and both government and enterprises often perform functions which should be performed by the other. Responsibility for investments rests with the government and not, as should be the case, with enterprises. Responsibility for social services and the provision of employment opportunities rests with enterprises, but should be the province of the government. This inevitably means that the operational objectives of enterprises are diversified. They must seek not only profit but also social objectives. They must provide social services and see to it that the sons and daughters of their employees find jobs. With such diverse objectives, enterprises must inevitably sacrifice some objectives to achieve others. With the irrational equity system and state assets for which ownership is unclear, enterprises often choose to achieve social objectives at the expense of their own economic interests. During the program of improvement and rectification, enterprises have continued to issue wages to employees even though there is nothing for them to do. Enterprises even take out loans to pay wages. In terms of external environment, competition on a level playing field does not exist. Profits vary from one industry to the next. The multitrack price system means that the economic benefits for an enterprise are generally determined by the macroeconomic policies of the government and by that enterprise's success in haggling with government agencies, not by the improvement of that enterprise's business operations. Furthermore, macroeconomic policy is unstable, and government behavior is not subject to regulations. Both internal mechanisms and the external environment limit the vitality of enterprises.

As for the question of whether it is the external environment or internal mechanisms which are the main cause for lack of vitality in enterprises, it would seem that comrades from government and party organs, as well as those from enterprises, disagree with the academic community. Most comrades from government, the party, and enterprises feel that the external environment is the main reason why enterprises lack vitality. They list a number of factors which affect the economic benefits of enterprises. 1) Funds shortages force enterprises everywhere to operate in debt. Repeated attempts to resolve the problem of widespread debt chains have ended in failure. As a result, poorly run enterprises have been

tying up the funds of good enterprises, which has exacerbated the poor circulation and shortage of funds. 2) Taxes, interest rates, and other burdens upon enterprises are too heavy. This has affected the ability of enterprises to accumulate funds and upgrade technology. a) Taxes: State-owned large- and medium-sized enterprises pay 23 types of taxes. There are even three types levied upon depreciation funds. After the setting of a contract, further fiscal problems are handled on an ad-hoc basis. A fixed base number in contracts sets taxes at a given amount, so the government has always created new tax categories to raise new revenues. b) High interest rates: Pretax loan repayments on fixed assets have been eliminated, and the nominal circulating funds of enterprises remain at the low level they have been at for years. Enterprises everywhere are operating in debt. Most enterprise profits which are not handed over to the state are used to pay interest to banks. Some enterprises cannot even make interest payments. Interest payments for some large- and medium-sized enterprises in Shaanxi last year even exceeded their tax payments. c) Other burdens—Unsuccessful efforts have been made to prevent local governments from levying exorbitant charges upon enterprises, and the situation grows worse and worse. The main reason for this problem is that government behavior is not subject to regulations. After the contracting system went into effect and enterprise taxes were set at a given level, government agencies have attempted to get what they can of the surplus enterprise profits by requisitioning uncompensated services, charging fees, etc. Other social requisitioning also occurs frequently. 3) Irrational enterprise structure and local protectionism disrupts the supply and marketing channels of enterprises. Production processes are disrupted, raw material supplies for enterprises with advanced equipment are put in jeopardy, and their sales are hindered by local protectionism. 4) Laws and regulations are unsound. Enterprises are subject to interference from many different government organs. There are endless rounds of inspections, appraisals, comparisons, and meetings. The authority of enterprises is shaky, but when support is needed from someone above, there is no one to be found; at the same time, there are plenty of mothers to interfere in the internal operations of enterprises. Of course, these comrades also acknowledge that the irrationality of internal enterprise mechanisms affect the vitality of enterprises. For example, internal enterprise problems involving personnel and wage systems as well as the establishment of party, government, and labor organizations have not been resolved. Nevertheless, they feel that in spite of these internal mechanism problems, the main problem is the external environment. For example, enterprises have been linking wages to performance for several years, taking attendance and output into consideration in determining the wages and bonuses of workers and staff. However, a single piece of paper last year mandated that workers and staff across the country would jump up one grade on the pay scale. People in factories who have been sloughing off for a long time, getting by on insurance and using up all their sick leave, and even people who have done worse things

than that, have all jumped a grade in the pay scale because of this piece of paper. This has negated efforts to reform the system of income distribution. In addition, the government has changed its mind repeatedly in recent years about what type of leadership system is required in enterprises. This has made it difficult for enterprises to structure themselves and divide labor in such a manner as to facilitate operations, but these issues cannot be decided by enterprises themselves.

Comrades in the academic community, while acknowledging the validity of their viewpoints, emphasize the systems and internal mechanisms of enterprises in searching for the cause of lack of vitality in enterprises. They state that in the past ten years and more, enterprise reform has been oriented toward the decentralization of authority and economic interests. It has not touched upon two key systemic factors: the equity system and the form of enterprise organization. This has led to the following results: 1) The fact that state-owned property has no real owner is an old problem which remains unresolved. For example, internal theft in many large- and medium-sized enterprises is quite serious. Within the vicinity of a large factory, there are generally several dozen township enterprises which depend upon stolen raw materials from that factory to carry out production. This would seem to be a management problem, but technically, it should be easy to resolve. It is just that no one does it. Other problems such as waste and lazy work habits exist because equity ownership is unclear and no one takes responsibility on behalf of the state. Since the implementation of the contracting system, various methods have been used to convert state-owned assets into private income, which has led to huge losses in state-owned assets. 2) Enterprises tend to make it their objective to maximize the short term income and benefits of workers and staff. Since the implementation of the contracting system, after turning over the mandated taxes to the state, enterprises have had to offer their workers and staff generous bonuses and benefits. Enterprises have become money trees, and they have found it difficult to maintain reproduction of capital value and internal accumulation. This is one factor which has caused enterprises to operate in debt. Enterprises are now struggling, on the one hand, with huge debts and high interest rates. On the other hand, it is commonplace for them to continue raising wages and bonuses for workers and staff. From time to time there are reports of enterprises using production development funds and even major repair funds for fixed assets to build housing. 3) In enterprises, lax internal management and discipline are commonplace. Workers and staff have no notion of risk.

Based on their differing analyses of the causes of the lack of vitality in enterprises, comrades at the symposium put forward differing measures to revitalize enterprises. Comrades from government organs and enterprises proposed several measures which could be implemented in the short term. With regard to the shortage of funds and inability to upgrade technology, they proposed continuing efforts to clear up triangular debt relationships,

and suggested that banks provide funds to cut debt chains and make it so that enterprises would owe money to banks instead of to each other. They suggested that banks and government fiscal organs coordinate policy and work together to resolve the funding problems of enterprises which show potential but which, due to temporary difficulties, are unable to upgrade technology or develop new products. They suggested that depreciation rates be increased in order to expand funds for the development of new products. For enterprises with few funds that are unable to raise the necessary money for technological upgrading, a system of unified management and the payment of interest for use of their depreciation and technology upgrade funds should be implemented within the context of a funds ownership system which remains unchanged. Technological upgrading should be implemented in a targeted manner. With regard to meetings, evaluations, comparisons, training programs in enterprises, and the readjustment of the affiliations of some enterprises to facilitate management should be implemented so as to prevent conflicting policies from emanating from different sources, thereby reducing interference in enterprise activities. With respect to large military industrial enterprises, they should be assigned to the regulation of various government organs depending upon the type of products they produce, so that their development and production of civilian products can be brought under governmental supervision, and problems connected with conversion from military to civilian production can be solved. With respect to the internal organizational structure of enterprises, factory heads can serve concurrently as party secretary, and responsibility for internal administrative affairs in enterprises can be assigned to Party and labor organizations in order to firm up the internal organization of enterprises.

Comrades from academia, while fully affirming the value of these suggestions, stated that the fundamental way to revitalize enterprises is to further reform and completely overhaul the enterprise system.

## II. Assessment of the Contract System, Exploration of the Target Model for Enterprise Reform

Comrades at the symposium fully affirmed the importance of the contracting system in the effort to strengthen enterprise vitality. They stated that during the first round of its implementation, the contracting system has basically been successful, and that without the contracting system, the economic growth of recent years would not have been achieved. At the same time, some comrades pointed out several problems caused by the contracting system. They are as follows: 1) The contracting system cannot redress the problem of lack of separation between government and enterprises. The government's ownership rights have not been separated from its management authority either, which means that enterprises must pay attention not only to the market, but also to the government. Under the contracting system, relinquishing control of enterprises is not an



option for the government, nor are enterprises themselves willing to let go of the government's apron strings. The reason why enterprise behavior and government behavior are not subject to regulations is that contracting is a process of bargaining back and forth between enterprises and the government. There is no system of regulations to guide this conduct. 2) Under the contracting system, the heads of enterprises are responsible both to government and to their workers and staff. Because it is unclear in whose hands equity ownership rests, the heads of enterprises and their workers and staff in reality constitute a common interest entity. The interests of the state and the enterprise are disregarded, while increasing the income and benefits of workers and staff is given top priority. This has led to the disappearance of enterprise assets and the prevalence of short term enterprise behavior. 3) The contracting system is not conducive to readjustment of industrial structure.

Other comrades judge the advantages and disadvantages of the contracting system from the perspective of transaction costs. They point out that the contracting system is a matter of haggling between enterprises and the government. The amount of taxes and output value, the separation of the two rights are determined through negotiation. This process increases the costs of social management in two ways. First, there are no regulations governing how government departments are to manage enterprises; it must be negotiated on a case by case basis, which increases the costs of government regulation. Second, macroeconomic regulation and control by the state and readjustment of industrial structure can only be carried out at the level of the enterprise by negotiating with them one at a time, and this also increases the costs of macroeconomic management by the government.

Some comrades at the symposium stated that the contracting system cannot be viewed as the basic enterprise system for large- and medium-sized enterprises. If the contracting system is further systematized and consolidated, the main activity of the enterprise would involve its negotiations with the government. It would be primarily responsible to the government instead of devoting all of its energies to market competition. The shareholding system should be viewed as the basic system for state-owned large and medium size enterprises. They feel that the shareholding system is not only a way of raising funds, but is in reality a new type of equity rights system. Under the shareholding system, shareholders are the ultimate owners of property, and by means of buying and selling on the stock market, they exercise oversight of the enterprise operations. As soon as capital becomes concentrated in the enterprise, it becomes separated from its ultimate owners and constitutes an independent enterprise asset which turns the enterprise into a true commodity producer. In China, if the shareholding system is implemented, the state will act as the ultimate owner of assets and exercise value management of assets while separating ownership rights from the authority of the state to regulate society and the economy, thereby

achieving a true separation of government and enterprises. In this manner, government behavior and enterprise behavior can be made subject to regulations, and various chaotic situations now present will be eliminated. In addition, the rising and falling stock market can spur the circulation of funds in various industries and enterprises, leveling out profits and creating the conditions for optimization of industrial structure and organization.

However, everyone held a different opinion regarding how to make the transition to a shareholding system. Some comrades feel that conditions in China are not ripe for implementation of the shareholding system, and that if it were pushed forward vigorously now it would cause great losses of state-owned property. We should take a lesson from actual equity rights systems which exist under shareholding systems and implement a system such as the legal person ownership system, which can embrace various forms of capital formation. Within the context of a system in which enterprise property is subject to the unified management of the State Administration of State-Owned Property while government organs in charge of the industry in question only carry out macroeconomic management and industrial regulation, we should turn enterprises into independent property entities, just like limited responsibility corporations in the West. Building upon this foundation, whenever an enterprise develops to the point where it is capable of issuing stock on the market, then the shareholding system will be implemented in that enterprise. We would move gradually in this manner toward a shareholding system. Other comrades feel that private capital is not yet fully developed and that the conditions do not yet exist which would allow public stock offerings, and that in the meantime, we should simulate the mechanisms of shareholding operations by instituting cross shareholding among government agencies, enterprises, and social groups, thereby gradually establishing a shareholding system. Some comrades pointed out that during the current second period of the contracting system, we must pay attention to the need to dovetail the contracting system with the shareholding system and reappraise the stocks and assets of enterprises by combining assessment of book value with market appraisal of production, thereby infiltrating asset value maintenance. We must create the conditions which will allow a transition from the contracting system to the shareholding system. Others felt that we should not pin excessively high hopes on the shareholding system or rush into it too quickly. They urged cautious implementation on a trial basis, and warned that in our trial implementation we should prevent stock market fluctuations from affecting the economy and the investment climate.

### III. The Issue of Enterprise Groups

Comrades at the symposium all agreed that for a number of reasons (China's enterprises do not enjoy sufficient economies of scale, the ability of enterprises to upgrade technology and expand markets is very weak, international markets are putting ever greater premiums on

regional blocks and high technology), China urgently needs to establish its own large enterprise groups. However, the road to establishment of enterprise groups is littered with obstacles which make it difficult to achieve in actual practice. What are these difficulties? Comrades from enterprise groups gave their own views:

1) An enterprise group is a new type of phenomenon which breaks away from the traditional subordinate administrative relationship with the government. To develop an enterprise group at this time, when the old administrative relationships and tax payment channels have yet to change, causes sharp conflict with the original system of management. Some enterprise groups fall under the jurisdiction of government agencies whose responsibilities are defined functionally and other agencies whose jurisdictions are defined geographically. Policies conflict and enterprises do not know who to comply with. In addition, some especially large enterprise groups have been listed separately in the plan by the state council or at the provincial level, which means that with markets still at a very immature stage, these enterprise groups have been cut loose from the government's apron strings and are forced to fend for themselves in matters related to supply, marketing, and funds, which are therefore very problematic. 2) Products are the primary point of contact between enterprise groups. They are built on the basis of a series of negotiated agreements, their assets are not integrated, and in reality they do not act as enterprise groups. Many enterprise groups are groups in name only. The leader of such a group must continue acting as head of some individual enterprise if he or she is not to become a figurehead. 3) Enterprise groups have not been granted enough authority. For example, enterprise groups generally have the right to participate in foreign trade, but the amount of that trade is determined by government agencies, and the enterprises are not allowed to have direct contact with the client, which makes it very difficult for enterprises to attain maximum economic benefit. When an enterprise group sets up a factory abroad, it cannot open an account with the Bank of China, but most foreign clients demand that the Bank of China serve as guarantor, so the foreign currency earned abroad cannot be cycled back through the parent corporation, but must be left abroad, which makes it more difficult to control. Legislation regarding enterprise groups has yet to get started in China, which means there is no legal basis upon which to establish enterprise groups.

With respect to these problems, comrades in attendance stated that the most pressing need is to integrate the assets of enterprise groups. We must use the method mentioned by Lenin, which entails combining bank capital with industrial capital, establishing holding companies, then using cross shareholding and a system of holding companies to set up subsidiaries and sub-subsidiaries. In this manner, we will bring about the formation of enterprise groups which are closely linked in their internal funding methods. We must further increase the authority of enterprise groups and

encourage them to expand overseas markets and participate in international competition. The state must exercise direct management of assets and separate ownership rights from administrative authority in order to break through the protective isolation of different parts of the government and the economy. We must promote market development in order to cut the umbilical cord between enterprises and government as quickly as possible so that enterprises, instead of both depending upon and fearing the apron strings, will rely totally upon the market. We must step up our study of enterprise group law.

Other comrades pointed out that currently in China's economy, administrative monopolies abound, and that the flourishing of enterprise groups could lead to economic monopolies. Therefore, while we seek to develop enterprise groups, they suggest that we prepare in advance by studying antitrust legislation.

#### Provincial Committee Research Office Views

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No 4, 5 Jul 91 pp 77-78

[Article by Wang Xin (3769 2946): "Provincial Committee Research Office Views"]

[Text] The effort to revitalize large- and medium-sized enterprises has been on the agenda for many years, but little success has been achieved. There are many reasons for this. With regard to ideology, the entire society does not have a strong awareness of this issue. We have not consistently taken enterprise reform as the central link in the reform process, nor have we, during the course of enterprise reform, placed great focus upon the reform of large and medium size enterprises.

In order to strengthen awareness of the need to revitalize large and medium size enterprises, we must accord a position of central importance to enterprise reform. The party's Central Committee and the State Council have stated repeatedly that revitalizing large- and medium-sized enterprises is the central link in economic reform, but in actual practice, some localities only press forward with enterprise reform at fits and starts, and have been unable to place it consistently at the center of reform. While carrying out the program of improvement and rectification, some comrades have come to feel that reform and opening are opposed to the four cardinal principles. They are suspicious of the intention of enterprise reforms which have already been carried out, and blame a host of problems on the reforms, including the weakening of the party's leadership, the weakening of ideological and political work, the neglect of democratic oversight, and unfair income distribution. Some comrades have not fully understood the relationship between improvement and rectification and the effort to further reforms. They see the two as opposed to each other, thinking that improvement means to clamp down on the autonomy of enterprises, and that rectification means to take back authority which had been devolved down to

the enterprise level. In their guiding philosophy, they have consciously or unconsciously considered measures aimed at furthering reform to be at variance with the program of improvement and rectification. Their attitude is suspicious and hesitant, and even negative. There are also those who believe that macroeconomic regulation and control is incompatible with efforts to revitalize enterprises. They feel that our current problems are due to too much autonomy at the microeconomic level. They believe that the worsening inflation and economic chaos of recent years happened because there was too much freedom at the microeconomic level which caused the loss of macroeconomic control. They feel that if we are to improve the economic environment and strengthen macroeconomic regulation and control, the autonomy of enterprises must be restricted. As a result, individual localities and government organs, citing the need to strengthen management and improve policy, have used various pretexts to withdraw the autonomy and economic interests which had been previously granted to enterprises. Looking back upon the course of reforms, we see that the emphasis at times has been placed upon price reforms, while at other times the focus was upon establishing an outwardly oriented economy "with large volumes of imports and exports." In considering the future direction of reforms, some comrades now seek to avoid enterprise reform, hoping instead to first achieve a breakthrough in reform of the housing system or the social services system, thereby giving a fillip to enterprise reform and other aspects of reform. This is unrealistic, because the expense of reforms of the housing and social service systems must be borne by the state, enterprises, and individuals. If enterprises are not revitalized, and their economic benefits remain poor, it will be difficult to raise funds, and these reforms will lack financial support. If, as is currently the case, enterprises do not even have money for technological upgrading, where will we get the funds to reform the housing system and the social services system? For this reason, we must take enterprise reform as the central link in the overall reform program. We must carry out reform with greater vigor, revitalize state-run large- and medium-sized enterprises, and increase fiscal revenues, thereby creating a good economic environment for other reforms.

If we are to strengthen awareness of the need to revitalize large- and medium-sized enterprises, we must establish a healthy policy environment for these enterprises. The strength or weakness of the awareness of the need to revitalize large and medium size enterprises must ultimately manifest itself in policies and measures. It is worth noting that in the past few years we have had many policies which have been clearly at odds with this revitalization effort. State-run enterprises have paid much higher taxes than township enterprises. In general, sales taxes on products manufactured by township enterprises have averaged about 5 percent, while they have averaged about 9 percent or more for products from state-run enterprises. Township enterprises have enjoyed several years of income tax exemptions or reductions, and their tax rates to begin with have also been lower

than for state-run enterprises. In the area of price policies, township enterprises basically have a free hand in setting the prices of their products, but large- and medium-sized enterprises must charge state prices for goods which they are required by the state plan to produce. Some prices remain unchanged for years and do not even offset costs, which means that losses increase as production increases. With respect to the objectives of business operations, the objective of township enterprises is to make a profit. State-run enterprises, however, are responsible for a number of social services. When prices rise, they must dispense subsidies and provide employment. They must raise funds for housing construction, purchase government bonds, and submit to the requisitioning of uncompensated services. With respect to technological progress, township enterprises set their own fixed-asset depreciation rates and technology development expenses, while state-run enterprises are subject to rigorous restrictions of fiscal policy in these areas. With respect to enterprise autonomy, township enterprises are true autonomous economic entities, while state-run enterprises are subject to restrictions in every aspect of their production and business operations. This imbalance in policies reflects ideological tendencies, and shows that awareness of the need to revitalize large- and medium-sized enterprises is not strong.

If we are to strengthen awareness of the need to revitalize large- and medium-sized enterprises, we must serve the interests of enterprises and help solve their problems. Large- and medium-sized enterprises are currently facing great problems. For one thing, due to continually increasing burdens upon these enterprises (taxes, interest rates, and various fees are being used to squeeze money out of them), their economic benefits are declining. The retained profits of some enterprises are not even sufficient to pay the medical expenses of workers and staff. For another thing, markets are slumping and products are not selling, which has made times difficult for enterprises. However, some government departments and work units are not understanding or forgiving of enterprises. Enterprises state that there are few "mothers" extending a helping hand to enterprises, while there are many holding out hands asking for money. For an enterprise to get anything done, it must overcome numerous barriers. At times, when an enterprise operates in compliance with one government agency, another government agency with jurisdiction over the enterprise will object to the proceedings. If the enterprise then complies with the second government agency's demands, it impinges upon the interests of the first. When the enterprise follows one agency's regulations, another agency objects; when complying with that other agency's rules, the original agency says that its policies are being violated. In this manner, enterprises are unable to take advantage of concessionary policies intended to benefit them. Some government organs or work units needing something from them, seeking to maximize their own interests, use their power (control of fiscal resources, control of materials, control of personnel decisions,

authority to carry out oversight and access penalties, and authority over the review and approval of enterprise projects) to force enterprises, under a variety of pretexts, to do things which minimize their own autonomy and harm their own interests. For the sake of survival and development, and for the sake of workers and staff, enterprises have no choice but to knuckle under. If the economy is to be improved and large- and medium-sized enterprises are to be revitalized, we must first strengthen the awareness among government organs of the need to serve the interests of large- and medium-sized enterprises. We must truly integrate the concept of revitalization of large- and medium-size enterprises as the central link in reform into every day work. This concept must be manifested in a willingness to serve the interests of the economic base.

If we are to strengthen awareness of the need to revitalize large and medium size enterprises, we must have a strong sense of responsibility and urgency. Since 1984, in accordance with the requirements of the Central Committee and the State Council, government organs have made it a top priority to revitalize enterprises, particularly large- and medium-sized enterprises. In accordance with the principle of establishing an appropriate degree of separation between ownership rights and economic authority, government organs have actively promoted a series of policies and regulations aimed at revitalizing enterprises, including the contract responsibility system, the factory manager responsibility system, and the enterprise law. As a result, the vitality of state-run large- and medium-sized enterprises has been noticeably strengthened in comparison with pre-reform days. However, for a large number of enterprises at this time, vitality is lacking, economic benefits are falling, the impetus for further development is insufficient, and their ability to carry out self-development is rather weak. Some underlying problems involving the enterprise mechanism remain unresolved. The authority granted by the state to factory heads (managers) has yet to be exercised. The authority of enterprises over their production and business activities has been difficult to coordinate in every aspect. In actual practice, enterprises have had problems exercising autonomy over their own procurement of materials and commodities, and their authority to set their own prices for directly marketed products has been challenged. Efforts to devolve autonomy over wages and personnel movements have not been carried out well enough. Some concessionary policies intended to encourage enterprises to promote technological progress and strengthen impetus for future enterprise development have not been carried out well enough. It is impossible to assure the autonomy of enterprises in carrying out joint operations and foreign trade. Repeated efforts to prevent various types of social interference have failed, and enterprises are saddled with heavy burdens. Their economic benefits are declining. Last year, the Shaanxi branch of the Bank of Industry and Commerce carried out an investigation of 1,250 enterprises and discovered that 587 of them (47 percent) are reporting profits while actually losing a total of 960

million yuan. Some enterprises are forced to take out loans to pay wages and bonuses. Some even use depreciation and major repair funds for wages. Some are selling off their products at reduced prices. This can lead to a serious loss of state-owned property, and fixed assets and operating funds will gradually be eaten up. If state-run enterprises are dragged into insolvency, fiscal resources will slowly dry up, people will become discouraged, and the effort to consolidate the socialist system will be affected. A strong economy is not necessarily needed in order to revitalize large- and medium-sized enterprises. The fact that economic difficulties have appeared is precisely an indication of the urgency of reform, and it has provided a window of opportunity for furthering enterprise reform. We cannot always postpone efforts to deal with the problems facing large- and medium-sized enterprises. Squandering opportunities to deal with problems is no less an error than jumping the gun out of anxiety. If we do not redouble our efforts at reform and resolve the most pressing problems, these problems will only become more numerous and more difficult to deal with. We should take advantage of the opportunity we now have and, with a strong sense of responsibility and urgency, step up the push for reforms, resolve systemic problems, and truly revitalize large- and medium-sized enterprises.

#### Academic on Reform Process

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[Article by Li Ming (2621 6900): "Some Personal Views on the Reform of Large- and Medium-Sized State-Run Enterprises"]

[Text] In its recommendations for how to draft the 10-Year Development Program and the Eighth Five-Year Plan, the Central Committee stated that "continuing work to revitalize enterprises, particularly state-run large- and medium-sized enterprises, is the central link in the effort to further economic reform." This was a reiteration of the importance and urgency of reform of state-owned large- and medium-sized enterprises. However, with regard to the question of how to further reform of state-owned large- and medium-sized enterprises, there are two different approaches. One calls for perfection of the contracting system while the other calls for implementation of a shareholding system.

#### I. The Target Model To Be Achieved Through Reform of State-Owned Large- and Medium-Sized Enterprises

In 1984, in its decision regarding economic reform, the Central Committee stated, "We must make enterprises truly become independent economic entities. They must become socialist commodity producers and sellers which have autonomous operations and which take responsibility for their own profits and losses. They must have the ability to upgrade and develop themselves. They must become legal persons with significant rights and

responsibilities." In a general way, this sets forward the basic orientation of efforts to reform state-owned enterprises (including large- and medium-sized enterprises).

In order to achieve our general objectives, we must be precise when speaking of reform. For example, at what point can an enterprise begin to be considered "independent?" To what extent must government and enterprise activities be separated so that enterprises can become economic entities which enjoy operational autonomy and take responsibility for their own profits and losses? What type of enterprise system must be adopted so that enterprises will have the ability to upgrade and develop themselves, and so that enterprises will have both vitality as well as a mechanism of self-discipline? If we do not clarify our fundamental approach with regard to these basic issues, but instead continually resort to all sorts of emergency reform measures, even if our reforms "come in a wide variety," not all of them will facilitate efforts to further reform of state-owned large- and medium-sized enterprises.

The target model to be achieved via reform should be the standard against which we measure the success of efforts to further reform of state-owned large- and medium-sized enterprises, and we should use this standard to assess the appropriateness of various reform measures. This target model should include the following aspects:

1. Government and enterprise activities should be separated. Government organs at all levels should no longer participate directly in enterprise operations or management. State-owned large- and medium-sized enterprises should have complete autonomy over production and operations, and over the expansion of reproduction. Enterprises should exist and operate independently of the government, and they should independently make policies and participate in economic activities on the basis of their own economic interests. State-owned enterprises should cease to be appendages of government organs at various levels; the only relationship between the two should be that between a tax collector and a tax payer, a property owner and a property manager, and a macroeconomic regulator and a microeconomic entity. Otherwise, if government and enterprise activities are not separated, expanded autonomy would be something that government organs at various levels "bestow" upon enterprises arbitrarily; today you get autonomy, tomorrow I take it back; here I grant autonomy, there I take it away. Under such circumstances, state-owned enterprises are never more than "beads on the government's abacus." Unable to die, unable to thrive, they hobble along crippled.

2. State ownership should be combined with private operations, and the enterprise system should be based on a shareholding system. After government and enterprise activities are separated, management authority over state-owned enterprises could be handed over to three different recipients: 1) It could be handed over to enterprise workers and staff, and a system of employee

self-rule could be implemented, as in Yugoslavia. Practice has proven that in reality, this turns state-owned property over to a system of enterprise ownership, and there are many problems with this type of system. 2) Government organs with the relevant jurisdiction could hand over management authority to factory heads and other managers, as it is now handed over to contractors in China's contracting system. Practice has proven over the past few years that although doing this has led to increased production for a time, the wages, bonuses, and benefits of workers and staff increased faster than production. Enterprise economic benefits are not improved much, while their technological progress and impetus toward future development are weakened. 3) Government organs in charge of administering state property could hand over management authority to a board of directors, which would in turn hire a factory head and management personnel for the enterprise. The advantage of this option is that it creates a multi-tiered system of checks and balances within the enterprise, and the problem of short-term behavior by enterprises can be avoided. However, if the board of directors is controlled by government organs, then the state-owned enterprise will not become an independent economic entity.

3. The government should use various economic parameters to exercise indirect management, thereby bringing about fair competition between state-owned enterprises and between state-owned and nonstate-owned enterprises. After government and enterprise operations have been separated in state-owned large- and medium-sized enterprises and government ownership has been combined with private operation, the government should rely primarily upon readjustment of various economic parameters to exercise indirect management of state-owned enterprise which have attained complete autonomy. Government should guide enterprise activities in a direction which is beneficial to the interests of the state. The government should not be more favorable to any one industry than to others so that they can compete on equal terms under circumstances where the strong survive and the weak are eliminated. All state-owned large- and medium-sized enterprises cannot be managed in the same way, either. Broadly speaking, there should be two models of management. In the small number of industries where enterprises do not compete against each other (electric power, posts and telecommunications, railways, air lines, space flight, military industry, and mining), such enterprises should remain under the direct control of a state plan for a certain time period. For the great majority of enterprises which compete against each other, indirect guidance should be exercised through the market.

## **II. The Contract System Is Only a Transitional Phase in the Reform of State-Owned Large- and Medium-Sized Enterprises**

The management contract responsibility system, which was broadly implemented in 1987 in state-owned large- and medium-sized enterprises, played a major role in stabilizing the state's fiscal revenues and bringing the

enthusiasm of enterprises for production into play, but in terms of the combination of theory and practice, if we take the contracting system as the target model to be achieved through reform of state-owned large- and medium-sized enterprises, and take perfection and development of the contracting system as the goal of our efforts to further reform of state-owned large- and medium-sized enterprises, this would be different from the actual target model that we are trying to achieve through reform of state-owned large- and medium-sized enterprises. There are four reasons why we say this:

1. It is unlikely that the contracting system will overcome the problem of lack of separation between government and enterprise activities. As a result, it will always be difficult for state-owned large- and medium-sized enterprises to achieve the status of economic entities which enjoy operational autonomy and take responsibility for their own profits and losses. In the contracting system, the contractor wins the contract from a government organ at some level. Contract base numbers, the strength or weakness of the discipline provided by contract targets, the decision about whom the contract is awarded to, and the responsibilities of the contract issuers are all determined on a case-by-case basis in negotiation, and such issues are determined primarily by the government. In fact, when the contract expires and the performance of the contractor is evaluated, it is primarily the government that assesses the effectiveness of the contractor. For this reason, the contracting system to a great extent has maintained the direct control of the government over state-owned enterprises. Enterprise contractors keep one eye on the market and one eye on the government, and when they encounter market instability, their first thought is to have their contract amended. The result is a contracting system in which enterprises take responsibility only for profits, not for losses. Under these circumstances, state-owned large- and medium-sized enterprises cannot possibly have complete operational autonomy, nor can they really take responsibility for their own profits and losses.

2. There is no connection between the contracting system and the problem of unclear ownership of equity rights in state-owned enterprises, which means that no one concerns himself with the protection and valorization of the assets of state-owned large- and medium-sized enterprises. The fundamental difference between industrial enterprise reform and agricultural reform lies in the fact that land management is the core of agricultural reform, while asset management is the core of industrial enterprise reform. Because China's agricultural reforms focused upon the land management system, they led to the establishment of internal links between the government, markets, and producers, thereby bringing about the preliminary formation of a market-based operating mechanism. The current enterprise contracting system is primarily deals with the fruits of business operations, i.e.—it is an operations contracting system in which the focus is placed upon the delivery of taxes and profits to the state, but it basically does not touch upon two

problems currently facing state-owned enterprises: unclear and divided ownership of equity rights. No one actually takes responsibility for the assets of state-owned large- and medium-sized enterprises, and in reality this responsibility is split up between government regulatory agencies, banks, fiscal and tax agencies, and various other government organs, thereby giving rise to a situation in which "no one is responsible" for state-owned property. As long as the contractors for a state-owned enterprise turn over the required taxes and profits, then "everything is taken care of," and they need not concern themselves with the valorization of state property. Within the limited period of the contract, there is neither any internal motivation nor external pressure to spur the contractor to plow enterprise funds back into the business. As time goes on, government will come to be responsible for investments in state-owned large- and medium-sized enterprises, and state-owned enterprises would be unlikely to take the initiative to develop or upgrade themselves.

3. The contractors of state-owned large- and medium-sized enterprises can only accept very small risks, which makes it difficult for the internal operational mechanism in state-owned enterprises to switch tracks. The inevitable result is widespread short-term behavior in enterprises. The economic behavior of a contractor is restricted by the amount of risk the contractor is capable of accepting in the course of business operations. Regardless of whether it is an individual contractor or a state-owned unit acting as contractor, when it comes to a state-owned large- and medium-sized enterprises, no contractor is capable of accepting property risks; the greatest risk for a contractor would be to lose the contract to someone else or to have wages and bonuses lowered. In reality, this is equivalent to no risk at all. For this reason, the number one concern of the contractor during the contract period is not to achieve technological progress or to improve efficiency, but to fulfill contract requirements and increase the benefits of workers and staff. This is one reason why production has increased and economic benefits have declined in the past few years during implementation of the contracting system.

4. Within the context of irrational economic parameters, vigorous promotion of the contracting system has led to a situation in which some state-owned large- and medium-sized enterprises have done quite well while others have suffered, and at the same time it has limited the rational readjustment of economic parameters. In addition, within the context of an irrational price system and tax rates which are not completely fair to state-owned large- and medium-sized enterprises, the linking of enterprise benefits to their profits does not accurately reflect the actual quality of production and management in every enterprise. Inevitably, "the fastest horse feels the whip," which works against efforts to spur the initiative and creativity of enterprises in production. Many state-owned large- and medium-sized enterprises suppress profits and maximize costs in order to keep a low contract base number. This results in artificial

restraints upon the increase of the state's fiscal revenues. On the other hand, because the conditions of contracts are determined on the basis of economic parameters, the readjustment of irrational economic parameters would inevitably lead to wholesale changes in contract conditions, which would reduce our ability to readjust economic parameters in a flexible manner.

5. The contracting system is neither conducive to nor appropriate for the currently developing enterprise group system, which involves close lateral linkages between enterprises. The production and business activities of enterprise groups are oriented toward expansion. It is difficult to arrive at a fixed base number for a contract, and if they are indeed contracted out, it would limit and weaken the impetus of enterprise groups toward development. At the same time, when different enterprises come together to form an enterprise group, their contractual obligations must be incorporated into the enterprise group, which impedes efforts to develop enterprise groups, which operate in many different industries and geographical areas.

In short, the contracting system does not work so badly with small state-owned enterprises, but it is only a transitional phase for state-owned large- and medium-sized enterprises, and cannot be extended for a long time.

### III. The Transition From the Contract System to a Shareholding System

The target model to be achieved through reform of state-owned large- and medium-sized enterprises can be described in four phrases: separation of government and enterprise activities; government ownership and private operations; an enterprise system based upon the shareholding system; regulation of economic parameters by the government. Furthering reform is the fundamental method by which to achieve this transition from the current contracting system to this target model. The contracting system and the shareholding system are two fundamentally different enterprise systems. In this sense, implementation of the shareholding system within reform of the state-owned large- and medium-sized enterprises represents "a thorough overhaul," not "minor repairs." For this reason, we must set about promoting the furthering of reform in a practical manner, keeping the following points in mind:

1. Eliminating the government's economic functions and keeping the function of the government as a macroeconomic regulator separate from its status as the proprietor of state-owned property is the foundation of efforts to separate government and enterprise activities. The government should establish management and operational organs for state-owned property, and other specialized organs should be barred from participating in management and operational activities involving state-owned property; they should concentrate solely on carrying out

independent macroeconomic management. Governments should cut all ties with enterprises and return to enterprises authority over their production, operations, and reproduction.

2. Current state-owned large- and medium-sized enterprises should be gradually converted into corporations (enterprises) based on the shareholding system, and they should become modern enterprises subject to regulations. Implementation of the shareholding system in state-owned large and medium-sized enterprises can be achieved in three steps:

Step 1: Assess the existing assets of enterprises. In assessing assets, three different types of value can be considered: original value, net value after depreciation, and current market value. Most enterprises now use net value. However, we should also factor in current market value because the actual value of assets is generally quite different from their book value. This is because, during the long period of time in which fixed asset investments have been made in China's enterprises, errors have surely been committed. Economic benefits from fixed assets vary widely, and depreciation rates for fixed assets are very low. Assessing assets in this manner could significantly lower the value of state-owned property in some enterprises. This devaluation reflects the actual value of state-owned property; so long as there is no intention of understating the actual value of state-owned property, this method of assessment will help to reduce squabbling over trifles and to clarify the actual value of state-owned property.

Step 2: The government should delegate banks to convert the value of property in state-owned enterprises into stock, and then offer this stock on the market. The main objective of state-owned large- and medium-sized enterprises in implementing the shareholding system is to bring about the formation of diversified investment and interest entities. In order to achieve this, four issues must be kept in mind while implementing the shareholding system: 1) Banks, other financial institutions, and enterprises should be the primary stockholders, while individuals should be secondary stockholders. However, workers and staff at enterprises where the shareholding system is implemented could be allowed to subscribe for stock at a discount in order to reduce resistance within enterprises to the system. 2) Stock ownership should not be too concentrated in any one person's hands. Small purchasers should be given priority and necessary restrictions should be placed upon large purchasers to prevent a small number of stockholders from gaining control over a publicly listed enterprise. 3) In order to maintain a controlling interest in an enterprise, a property management organ within the government need only be the largest shareholder; it does not necessarily need to own an absolute majority (51 percent) of all stock. In this manner, the extra income gained by the government through stock sales can become disposable financial resources for enterprises, which can use them to spur technological upgrading and the expansion of production and operations. 4) So-called "enterprise stock"



should not be allowed. When a company, in its status as a legal person, holds its own stock, the interests of other stockholders are prejudiced, and the corporation's total assets are falsely inflated, which provides opportunities for cheating. Commercial law in Japan clearly stipulates that this behavior is illegal. With respect to China's current fixed assets that enterprises have accumulated through investment of funds at their own disposal, can be kept in reserve as enterprise welfare funds after their value has been converted into stock.

Step 3: Shareholders should elect a board of directors, which in turn should hire managers, thereby bringing about a situation in which owners, the board of directors, and managers each have clearly defined rights and responsibilities. Owners only have the right to receive income on assets and to cast votes as stockholders, but they must not interfere in enterprise management. The members of the board act as agents for shareholders. They have complete authority to control the enterprise, including authority over long and short-term policies and personnel decisions. Managers are responsible for the daily operations of the enterprise. In this three-way relationship, it is vital that the ownership rights of owners are kept separate from the authority of the board to control the enterprise.

3. We must bring economic parameters into balance, promote development of the market system, and provide a sound management system and corpus of laws and regulations for the shareholding system so as to bring about an economic climate in which equal competition exists. A rational readjustment of economic parameters is the basis of efforts to promote the development of the market system and to allow the market mechanism to play its role, and it is a prerequisite condition if state-owned large- and medium-sized enterprises are to participate in market competition. Since commodity and technology markets are now beginning to take shape, we should concentrate on promoting the development and improvement of labor and capital markets, and create the necessary conditions for implementation of the shareholding system.

4. We should take the shareholding system to be a target model of our reforms, perfect and develop the current contracting system, and create the necessary conditions to make the transition from the contracting system to the shareholding system. In concrete, we can do the following things: 1) We can perform asset evaluations at all state-owned large- and medium-sized enterprises, and during the course of these evaluations we should continually perfect our asset evaluation standards and methods so as to get a clear picture of every enterprise's property. 2) We can establish and perfect government regulatory agencies and management corporations in charge of state-owned property. We can resolve the problem of unclear ownership of state property and divided ownership of property. We must see to it that there is someone responsible for property. 3) We should promote the state-owned enterprise asset appreciation contract system and focus the contracting system on efforts to get

enterprises to increase investments, achieve technological progress, and improve efficiency. 4) Within the contracting system, we should implement on a trial basis a bankruptcy system for the management of state-owned property, thereby bringing about a risk mechanism in contracted management. 5) We should establish capital markets (including primary and secondary markets), establish corresponding legislation and concrete procedures for regulating capital markets, and carry out sales of stock in odd lots. We should sum up and draw lessons from our experience, and gradually subject capital markets to regulations.

## FINANCE, BANKING

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*HK2410123291 Hong Kong ZHONGGUO TONGXUN*  
*SHE in English 1142 GMT 24 Oct 91*

[Text] Hong Kong, October 24 (HKCNA)—Fund raising through means of issuing stock in Hong Kong by mainland export-oriented shareholding enterprises is not only seen as beneficial for mainland enterprises in their bid to develop an international product market and make use of the world's capital market, but it is seen as a way to help change an imbalance in the territory's present stock market. Quite a number of people from financial circles in Guangdong Province and Hong Kong share the common view that the time is now ripe for mainland enterprises to list their stock in the territory.

South China, especially Guangdong, has seen rapid economic development during the ten-year implementation of reform and the open door policy and has developed gradually into an export-oriented economy. In order to further develop the world's product market and utilize the international capital market, Guangdong's export-oriented enterprises have an increasingly strong feeling to issue stock in Hong Kong to raise funds as conditions for such issuance are maturing.

Types of stock available at present in the territory are rather limited and mainly centre on real estate, finance and trade, while the manufacturing industries share a mere seven percent of the listed stock. Such an imbalance is not beneficial to the territory's economic development as a whole. The inflow into Hong Kong of stock by Guangdong's manufacturing industries would help to reverse such an imbalance in the territory.

It would be a matter of mutual benefit to both sides and such development would also benefit international finance and the entire world's economy. A senior trader in the financial sector in the territory described the issuing of stock here by mainland enterprises as a development leading to Hong Kong's securities market becoming the New York of the East.

The listing of stock issued by mainland enterprises is said to be on the agenda and the Stock Exchange of Hong



Kong Ltd is now studying the matter, agreeing in principle that procedures for the listing would be simplified in order to enable well managed mainland enterprises to raise funds in the territory.

The listing of mainland enterprise stocks in Hong Kong would of course require the advance solving of a great number of technical problems such as laws, accounting and supervision. The solution to these could certainly be found so long as the parties concerned show willingness to cooperate in this matter.

### How To Develop China's Stock Market

92CE0086A Hong Kong CHING-CHI TAO-PAO  
[ECONOMIC REPORTER] in Chinese No 38-39,  
1 Oct 91 pp 21-22

[Article by Yao Huaicheng: "How To Develop China's Stock Market"]

[Text] In August 1980, the Fushun City Branch of the People's Bank of China issued stocks on behalf of various enterprises. This was the first time stocks were issued in New China.

In September 1986, the Industrial and Commercial Bank of China Shanghai Branch's Jingan Trust and Investment Office officially hung up its bulletin board to sell and buy stocks. This was the first stock exchange activity on mainland China.

At the end of 1990, more than 6,000 enterprises issued stocks with an aggregate total of 5 billion yuan renminbi (the same below). The market value of the stocks is now approximately 9 billion yuan.

Since the selection of Shanghai and Shenzhen as test points for China's stock market, an upsurge for stocks has unfolded in coastal and open cities. But, theoreticians, in recent years, have always had endless debates on the issue of establishing and developing the stock market in China. There seem to be advances and retreats in practice. China is a socialist nation. With the relevant authorities stressing the need to uphold the four basic principles and the reform and open policy, it is necessary to continuously study and discuss this issue in theory, and sum up our experience in practice for the healthy development of China's stock market.

To talk about China's stock market, we cannot avoid examining the current situation of the two test point cities.

Shanghai's securities market was set up in 1984. At the end of 1990, the number of financial institutions dealing with securities was 25, and there are more than 50 transaction counters. There are 31 kinds of securities listed on the market, including eight kinds of stocks, six kinds of state treasury bonds, nine kinds of bank bonds, and eight kinds of enterprise bonds. The volume of transactions was 2.43 billion yuan in 1990, and the total amount of transactions at the securities exchange for the

first five months of this year reached 3.2 billion yuan. Judged from the total volume of transactions, state treasury bonds accounted for 70 percent, bank and company bonds 20 percent and stocks 10 percent.

The Shanghai Securities Exchange officially opened its door on 19 December 1990. There are now 26 member companies. They include professional brokers, self-employed professional dealers, part-time brokers and self-employed dealers. At present, the municipal government and the municipal People's Bank have duly formulated regulations on the control of securities. With the approval of the higher authorities, the Shanghai Securities Exchange has also formulated three regulations to regulate itself, and set up limits for any stock price fluctuation. At present there is a potential pressure on Shanghai's Securities Market for a bull stock market, because the supply of stocks falls short of demand. To absorb idle funds and suppress stock prices, it is necessary to adequately increase the volume of stocks. Besides, many foreign investment institutions are interested in investing in securities. In an effort to develop Pudong and invigorate Shanghai, Shanghai is making active preparations to issue more stocks catering to foreign investors only. Meanwhile it will continuously strengthen the effective control of the securities market.

The Shenzhen securities market with main emphasis on stocks was founded in 1987. There are six securities company at present with a face value of listed stocks reaching 528 million yuan. Of these, stocks owned by individuals are 210 billion yuan's worth (accounting for 39.8 percent). The volume of stock transactions in 1990 reached 1.76 billion yuan, and that in the first half of 1991 amounted to 300 million yuan (with the exception of a newly listed stock). By the end of June this year, the face value of stocks in Shenzhen totalled 4.7 billion yuan including 61 million yuan's worth of state treasury bonds, 130 million yuan's worth of capital construction bonds and 62 million yuan's worth of enterprise bonds for short-term financing. At present, the Shenzhen Securities Institution has one securities exchange, one securities registration company, 12 securities dealers, 16 transaction counters and 400 employees to handle securities business.

Recent major development measures adopted by the Shenzhen securities market are: Manage the market according to law, and adequately expand the market (the number of companies will reach 17 at the end of this year), issue type B stocks to attract foreign investment, prepare to establish a foundation for investments in securities; open the Shenzhen Stock Market to the whole country, and computerize as soon as possible.

### Meet Requirements To Combine Planned Economy With Market Regulation

The founding of China's stock market suits the needs to combine planned economy with market regulation. China implements a socialist planned commodity economy, it has the special features of socialized mass

production, the exchange of commodities through money as its base, and the people have two kinds of assets, goods and money. This determines that a socialist nation must and should set up a stock market that suits its own special features. Judged from our experience since the founding of China's stock market, the total quantity of securities issued is placed under the macro-economic control of the state and balanced by the state plan. The interest rate of bonds and the issue price of the stocks are approved by the People's Bank. Besides, the activities of securities exchange are also strictly controlled by the People's Bank. All this reflects the role of the state in carrying out planned regulation. Meanwhile, the transaction prices and volume of the stocks on the market are influenced by the objective economic factors on the market and affected by the psychological factors in the society. All these factors are reflected in various economic activities, playing the role of spontaneous regulation.

China's revenues have always been tight. Lack of funds for state and enterprise construction is a major problem. But urban and rural saving deposits has reached 800 billion yuan, and there are several hundred billion yuan of idle funds. Establishing stock markets has become a way to diversify individual financial resources and is welcome. This type of direct financing is conducive to alleviating financial difficulties and enterprise fund shortages.

The key to China's economic reform is to vitalize enterprises. Opening up stock markets will help enterprises directly raise funds in society, reduce their burden in obtaining bank loans, improve their mechanism for self-restraint, and increase their ability to compete with others and develop themselves. This practice is also conducive to pressing for the optimum organization in production, to developing industries and to readjusting the product mix. At the same time, it can also help enterprises to improve their mechanism for business management.

To attract foreign investments in the form of stocks has much appeal for foreign businessmen. Stocks can be sold or bought, and stock ownership is transferable. The flow of capital is fast. All these are more flexible than making direct investments in an enterprise.

The stock market is a component part of the entire money market. Whether stock market experiments in Shanghai and Shenzhen succeed or not is of great significance in developing China's stock market. Practice indicates that to develop its stock market China should continue to energetically explore the following four areas: One, further improve the external environment of the stock market, mainly it must seek unity in understanding, provide correct guidance, active support, and improve laws and regulations. Two, improve stock-issuing enterprises, because they are the main bodies that issue stocks. If there is no standard, the healthy development of the stock market is impossible. Third, perfect the operational pattern. Design a stock market pattern

based on China's conditions and the characteristics of the regional economy such as the structure of ownership of the first-level market, the mode of circulation of the second-level market, the conditions for the development of a third-level market and the system for information feedback. Four, find a pattern for the development of the stock market under socialist conditions.

#### Several Problems Ahead

China's stock market has a 10-year history from its embryonic stage to its establishment. At present, we still need to study, make clear and solve how to realize the necessity of establishing stock markets in China, how to define the social attribute of stock-issuing enterprises and the securities exchange, how to deal with speculative activities, how to judge the stock value and how to deal with earnings from stock transactions.

In addition to the differences in understanding, the policy is unstable, and supportive measures fail to keep up. The stock market scale is small, and there are no standards. There is a shortage of competent professionals to oversee the market, and laws are imperfect. Stock-holders lack the sense of risks. Back-door and illegal transactions, fraudulent practices and signs of jacking up stock prices are common phenomena.

Besides, on the question of issuing stocks, the way and procedure are abnormal. Stocks have a flavor of debentures. There are no unified laws and regulations in issuing stocks, and management is poor. On the question of stock circulation, the varieties and volume of listed stocks are limited with the demand for stocks exceeding supply. There is no strong market control for stock transactions. Management and the operational facilities are poor.

#### Suggestion for Further Developing Stock Markets

There are 10 issues for the healthy development of China's stock market that we must earnestly study in the realm of theory, and sum up our experience in practice. The ten issues are: 1. The issue of upholding the socialist system of public ownership; 2. the issue of stock prices; 3. the issue of how to improve the operational system of the stock market; 4. the issue regarding the economic attribute and taxes on earnings from stock investments; 5. the issue of the stock market management system; 6. the issue of managing government-owned assets; 7. the issue of institutional investors; 8. the issue of using the stock market to attract foreign capital; 9. the issue of whether or not administrative interference is justified and of government officials buying stocks; and 10. the issue of legislation for the stock market.

To develop and make improvements on China's stock market, we must mainly start with the following four tasks: First, we must adhere to three principles. That is, we must uphold the principle of combining planned economy with market regulation. Give the proper guidance to the funds on the stock market and control stock prices, we must adhere to the principle of maintaining

the leading role of economic management supplemented by administrative interference. We must also uphold the principle of fair trade. Second, we must energetically and steadily develop joint-stock economy, and improve stock-issuing enterprises. We must gradually increase the volume of listed stocks, and provide the stock market with a material foundation. Third, we must improve the necessary administrative organizations to effectively assess and control stocks and the stock market, and carry out credit rating. We must perfect, as soon as possible, the unified laws and regulations in controlling the stock market, and build an effective mechanism for market control and regulation. Fourth, we must energetically train professional personnel to provide the stock market with competent administrators for handling securities business, and replace business equipment.

It is necessary to steadily and gradually set up a stock market in China, a market that is adequate in size, compatible with international practices in terms of opening up, and normal in operation. First, we must continue to manage the stock market pilot projects in Shanghai and Shenzhen, and gradually expand them to form a nation-wide unified stock market. Second, we must increase the varieties and volume of listed stocks, while building a large number of stock-issuing enterprises mainly composed of government-owned legal entities (large- and medium-sized enterprises and enterprise groups). Third, we must create conditions for opening up a third-level market, while continuously expanding the first-level and second-level markets. Also, we must open up a market abroad and use stock to attract foreign investments. Fourth, we must correctly guide social mentality; broaden knowledge on stocks, sense of risks, and correctly deal with the relations between investment and speculation for the healthy development of China's stock market.

### Shenzhen Companies To Issue Stock Abroad

HK3010132491 Beijing ZHONGGUO XINWEN SHE  
in English 1506 GMT 29 Oct 91

[Text] Shenzhen, October 29 (CNS)—The Shenzhen Property Development Group and the Nanfang Glass Company will soon issue stock abroad for public subscription. Preparations for such issuance has been completed, making it the first time Shenzhen has issued stock abroad and creating a new channel for foreign investment.

In Shenzhen, stock issued for domestic subscription is called "A" shares, while stock issued for subscription abroad is called "B" or "Renminbi [RMB] special" shares. With the approval of the Shenzhen authorities for listing, the two companies are scheduled to issue RMB 52 million worth of shares for public subscription on 3 November with a face value of RMB 1 per share and a premium of under RMB 4. It is understood that the municipality will at a later time entrust some Hong Kong companies to sell "B" shares in the territory.

It is learned that the value of "B" shares to be issued is over RMB 40 million, RMB 30 million of which is for the Shenzhen Property Development Group. Subscription of "B" shares will be settled in Hong Kong dollars which will be converted into renminbi in accordance with the foreign exchange swap rate in Shenzhen.

The two soon-to-be-listed companies have shown sound economic results and one of them, the Shenzhen Property Development Group, owns the 53-storey Guomao Building and specializes in real estate as well as trade business. The total assets of the group has been valued at RMB 650 million.

## INDUSTRY

### Industrial Output Value by Area Jan-Sep 91

HK1710125091 Beijing CEI Database in English  
16 Oct 91

[Text] Beijing (CEI)—Following is a list showing the industrial output value by area in China in Jan.-Sept. 1991, released by the State Statistical Bureau:

Area	1-9/91	1-9/90	(Unit: 100 million yuan)
			Change Over 1-9/90 (pc)
National Total	17073.84	14019.97	13.9
Beijing	567.19	471.80	10.8
Tianjin	452.20	398.73	5.2
Hebei	685.82	554.81	13.9
Shanxi	380.38	303.28	5.7
Inner Mongolia	198.76	163.17	4.6
Liaoning	1123.36	984.68	7.5
Jilin	395.45	358.35	8.1
Heilongjiang	638.16	550.60	5.7
Shanghai	1340.45	1110.96	11.9
Jiangsu	1889.40	1539.17	16.8
Zhejiang	1024.53	768.07	25.3
Anhui	452.42	382.90	11.7
Fujian	370.00	295.11	18.5
Jiangxi	303.50	254.77	12.3
Shandong	1354.05	1122.62	14.0
Henan	654.52	534.99	14.0
Hubei	765.01	635.40	10.0
Hunan	516.48	442.26	11.2
Guangdong	1471.09	1137.09	27.3
Guangxi	275.44	223.43	13.8
Hainan	34.01	27.85	17.4
Sichuan	924.27	731.47	16.5
Guizhou	161.63	136.06	9.2

Area	1-9/91	1-9/90	(Unit: 100 million yuan) Change Over 1-9/90 (pc)
Yunnan	275.72	233.17	12.5
Tibet		2.00	8.7
Shaanxi	325.33	259.01	14.8
Gansu	218.48	181.13	8.9
Qinghai	44.20	38.65	6.2
Ningxia	54.38	43.75	5.0
Xinjiang	175.61	134.58	16.6

Note: Industrial output value in 1991 is measured in 1990's constant yuan.

### Gross Industrial Output Value Jan-Sep

HK1010131091 Beijing CEI Database in English  
10 Oct 91

[Text] Beijing (CEI)—Following is a list showing China's total industrial output value in the January-September period of 1991, released by the State Statistical Bureau:

	(in 100 million yuan)		
	1-9/91	1-9/90	up(pc)
Total	17073.8	9920.1	13.9
Including:			
Export Products	1919.8	1147.4	11.7
Light Ind.	8260.2	4994.9	15.1
Heavy Ind.	8813.6	4925.2	12.6
State Firms	11007.6	6039.3	9.5
Collectively Owned Ones	4963.4	3294.6	19.0
Others	1102.8	586.2	42.6

Note: The industrial output value is measured in 1990's constant yuan

### Light Industrial Output Value by Area in Jan-Sep

HK1510145591 Beijing CEI Database in English  
15 Oct 91

[Text] Beijing (CEI)—Following is a list of the light industrial output value by area in China in Jan.-Sept. 1991, released by the State Statistical Bureau:

Area	1-9/91	1-9/90	(Unit: 100 million yuan) Change over 1-9/90 (pc)
Total	8260.23	6688.20	15.1
Beijing	235.63	199.59	9.6
Tianjin	217.53	197.35	0.8
Hebei	303.90	239.01	14.3
Shanxi	88.38	76.81	7.6

Area	1-9/91	1-9/90	(Unit: 100 million yuan) Change over 1-9/90 (pc)
Inner Mongolia	77.13	65.58	6.1
Liaoning	324.12	286.48	5.9
Jilin	157.11	141.15	6.9
Heilongjiang	205.45	178.99	9.8
Shanghai	673.47	572.23	9.0
Jiangsu	1046.17	837.23	15.6
Zhejiang	664.28	488.17	27.5
Anhui	238.14	194.13	13.7
Fujian	229.51	178.07	18.8
Jiangxi	138.08	109.88	13.9
Shandong	684.26	572.49	13.3
Henan	297.11	233.18	15.5
Hubei	353.49	288.04	12.4
Hunan	224.97	188.68	11.4
Guangdong	1005.55	760.37	28.9
Guangxi	152.71	121.07	11.0
Hainan	24.83	19.16	20.5
Sichuan	409.38	318.96	18.7
Guizhou	64.05	58.42	7.7
Yunnan	142.20	127.43	12.8
Tibet	0.60		-1.6
Shaanxi	136.50	105.95	14.8
Gansu	56.46	49.17	5.3
Qinghai	12.85	10.00	6.8
Ningxia	12.68	10.97	1.0
Xinjiang	83.69	59.00	17.7

Note: Industrial output value is measured in 1990's constant yuan.

### Output of Main Chemical Products in Jan-Sep

HK1510142891 Beijing CEI Database in English  
15 Oct 91

[Text] Beijing (CEI)—Following is a list of the output of main chemical products in Jan.-Sept. 1991, released by the State Statistical Bureau:

Item	Unit	1-9/91	1-9/90
Chemical fiber	10,000t	137.50	118.42
Sulphuric acid	10,000t	976.14	857.68
Dense nitric acid	10,000t	24.41	22.82
Soda ash	10,000t	286.74	276.16
Caustic soda	10,000t	261.13	247.43
Ethylene	10,000t	126.82	112.19
Calcium chloride	10,000t	169.40	164.13
Pure benzene	10,000t	52.50	40.53

Item	Unit	1-9/91	1-9/90
Synthetic ammonia	10,000t	1637.27	1592.48
Chemical fertilizer	10,000t	1502.66	1446.74
(Nitrogen)	10,000t	1132.06	1113.71
(Phosphorous)	10,000t	363.53	326.63
(Potash)	10,000t	6.83	6.40
Chemical pesticide	10,000t	21.27	18.49
Paint	10,000t	71.59	62.55
Dyestuff	10,000t	10.89	10.54
Pharmaceuticals	10,000t	14.59	12.75
Chinese patent medicines	10,000t	19.85	16.61
Tyre	10,000pc	2974.16	2419.16
Synthetic rubber	10,000t	25.06	22.93
Film	10,000m	10948.00	8929
(Color film)	10,000m	10634.00	8597
Plastics	10,000t	195.31	157.29

Notes: t - ton, pc - piece, m - meter

### Mechano-Electronic Products Output Jan-Sep

HK1010114091 Beijing CEI Database in English  
10 Oct 91

[Text] Beijing (CEI)—Following is a list of the output of China's major mechano-electronic products in January-September 1991, released by the State Statistical Bureau:

Item	Unit	1-9/91	1-9/90
Power Equipment	10,000kw	687.93	775.39
AC motor	10,000kw	2869.70	2720.41
Industrial Boiler	ton	45630	41822
Machine Tool	10,000set	11.03	8.60
Including:			
NC Machine Tool	set	2850	1417
Precision Machine Tool	set	786	744
Large Machine Tool	set	1984	1592
Automobile	10,000	52.33	37.13
Including: Truck	10,000	30.05	22.84
Tractor (20HP/above)	10,000	4.30	2.95
Small Tractor	10,000	110.72	85.58
Locomotive	set	517	497
Including: Diesel	set	389	349
Steam	set	5	21
Electric	set	123	127
Passenger Coach	set	1143	1222
Freight Wagon	set	17096	17388
Internal Combustion Engine	10,000kw	5233.3	4158.0

Item	Unit	1-9/91	1-9/90
Fishing Ship		50	49
Civil Steel Ship	10,000ton	97.43	69.97
Computer	set	232	267
Micro Computer	set	62339	45925
Pocket Calculator	10,000set	957.03	930.61
Program-Controlled Switch-board	10,000set	38.09	13.75
Film Projector	10,000set	0.69	0.77

### Gansu Province Gasworks Plant Completed

OW0111125791 Beijing XINHUA in English  
0335 GMT 1 Nov 91

[Text] Beijing, November 1 (XINHUA)—The construction of China's largest gasworks plant has been basically completed in Lanzhou, capital of northwest China's Gansu Province, the overseas edition of today's PEOPLE'S DAILY reported.

The new plant has introduced new techniques and is said to be highly productive with an output of four to five times greater than that of conventional gasworks.

With a total investment of nearly 500 million yuan, the gasworks, a key state project during the Seventh Five-Year Plan period (1986-1990), will produce 540,000 cubic meters of gas every day.

### Official Announces Reduction in Tungsten Production

OW2010090291 Beijing XINHUA in English  
0739 GMT 20 Oct 91

[Text] Beijing, October 20 (XINHUA)—China will reduce tungsten production during 1992, according to the China National Nonferrous Industry Corporation (CNNC).

Zhou Guobao, a CNNC official in charge of national tungsten production, said the national production quota for refined tungsten ore will be 40,000 tons for 1992, some 30,000 tons less than the 1990 quota.

At the same time, exports of tungsten products will be reduced from 52,000 tons in 1990 to 25,000 tons in 1992, he said.

The decision for the reductions was made to help bring about a steady development in the country's tungsten production and to alter an ironic situation in which the more tungsten products the country exports, the less it earns, said Zhou.

The growth rate in tungsten production in China has increased rapidly in recent years. Statistics show that over the past seven years, the country's average annual output of refined tungsten ore has remained at slightly over 60,000 tons. However, CNNC officials say that domestic demand has been estimated at only about 18,000 tons a year.

CNNC officials attribute the rapid increase in production to the implementation of flexible policy regarding tungsten production in 1983.

"Under this policy, thousands of individual and rural enterprises were established to produce tungsten, in addition to the 140-odd existing state tungsten producers," said Zhou.

The flexible policy not only boosted the output of tungsten, but also brought about some unexpected consequences, he said.

One most serious consequence was a waste of tungsten resources because of the poor mining and processing techniques used by the individual and rural enterprises.

Surveys conducted by the CNNC reveal that four out of every seven tons of tungsten ore mined by the individual and rural enterprises are lost during processing.

The wasteful situation prompted the central government to issue a document earlier this year which banned individual mining and processing of tungsten ore. The document also called for planned national output and export volume each year, as well as for centralizing export of tungsten products.

Prior to the government decision, foreign trade companies at both provincial and municipal levels had the right to export tungsten products, just as national foreign trade companies.

"Each company was eager to reduce export prices in order to attract foreign buyers," said Zhou. "As a result, the more tungsten products the country exported, the less foreign exchange it earned."

In 1983, China earned over 141 million U.S. dollars for the export of 23,900 tons of refined tungsten ore. In 1990, however, 52,000 tons were exported, but foreign exchange earnings amounted to only 130 million U.S. dollars.

"As a result of a drop in export of tungsten ores in future, the prices are expected to rise," said Zhou.

Tungsten products from China are mainly exported to Europe, Japan, the United States and the Soviet Union. At present, the majority of such exports are in the form of refined tungsten ore. In the future CNNC officials plan to increase the proportion of finished tungsten products in the export mix.

Although they decline to provide specific figures, CNNC officials claim that China has the largest tungsten reserves in the world.

### **Aircraft To Be Equipped With China-Made 'Black Boxes'**

*OW1710063591 Beijing XINHUA in English  
0246 GMT 17 Oct 91*

[Text] Beijing, October 17 (XINHUA)—China will use domestically-made "black boxes"—flight data recorders—in its airplanes, the overseas edition of PEOPLE'S DAILY reported today.

According to the newspaper, the black boxes, produced by the Qianshan Electronic Instruments Plant under the Ministry of the Aerospace Industry, have been awarded a certificate issued by the Civil Aviation Administration of China.

China used to rely completely on imports for these instruments.

In 1983 it started working on its own black boxes. After more than two years of experiments of various kinds and trial use in domestically made "Yun-7" planes, the black boxes proved to have reached the international advanced level, said the newspaper.

It added that the domestically-made black boxes may also be installed in airplanes made by Sino-foreign joint ventures.

### **Large Integrated Circuit Base Goes Into Operation**

*OW2810110791 Beijing XINHUA Domestic Service  
in Chinese 1345 GMT 26 Oct 91*

[By reporter Jiang Min (1203 2404) and reporter trainee Chi Yong (3069 0516)]

[Text] Shenyang, 26 Oct (XINHUA)—A pilot research and development base of large-scale integrated circuits—dubbed "God's Favorite Project After the Industrial Period"—passed a national evaluation test today and officially went into operation at Shenyang's Dongbei Microelectronics Research Institute.

The base, funded with 44.5 million yuan provided by the state, occupies 70 mu and is located at the high-powered Dongbei Microelectronics Research Institute. It has the country's most advanced superpure premises as well as high-purity water and superpure aerodynamic stations. It can fulfill the needs of launching production lines to manufacture 2.5-micron chips for integrated circuits, which have a greater degree of precision over three-micron chips. It can also satisfy the needs of fostering a production environment and creating a motive force for conducting pilot research and development projects on 1.5-micron large-scale and very large-scale integrated circuits.

The base's construction is expected to result in the annual development of 100 batches of new large-scale and very large-scale integrated circuits, and in the pilot production of 1 million chips for large-, medium-, and

small-scale integrated circuits. The level of chip integration is expected to be the highest at home.

### Heilongjiang Holds Technical Transformation Conference

*SK3010123891 Harbin Heilongjiang People's Radio Network in Mandarin 1000 GMT 29 Oct 91*

[Text] At the provincial industrial restructuring and technological transformation working conference that opened on 29 October, Cong Fukui, vice governor of the provincial government, set forth: The major tasks for readjusting the industrial structure of the province in the Eighth Five-Year Plan period are to vigorously strengthen basic industries; to systematically reorganize and transform processing industries; and to strive to develop chemical, light textile, catering, and medical industries with the focus on increasing economic results and realizing the objective of optimizing the product mix and the industrial structure. The fundamental ways for realizing these tasks are to accelerate the pace of technological transformation, ensure an investment of 15 billion yuan in technological transformation, and strive to guarantee that the input to technological transformation and the output from technological transformation averages a ratio of 1 to 1.5.

Vice Governor Cong Fukui said: There are six basic aspects for readjusting the industrial structure of the province. First, readjust the industrial structure and gradually form an efficiency-type industrial structure with the development of advantageous natural resources as the foundation, with the comprehensive utilization of natural resources and the intensive processing of products as the main body, and where natural resources and production elements are reasonably distributed. Second, readjust the product mix; develop products coordinately in line with advantageous natural resources and market demands; increase products' technological contents and technologically added value; ceaselessly develop top-quality, famous-brand, export, and foreign exchange-creating products; and limit the production of unsalable products. Third, readjust the regional structure; gradually realize the reasonable division of industrial production between urban and rural areas and the reasonable distribution of production elements; and strive to promote the economic development of counties and townships. Fourth, readjust the technological structure, and develop new high-tech industries. Fifth, readjust the investment structure; and concentrate capital to ensure the production of key trades, the development of key technological transformation projects, and the production of key products. Sixth, readjust the organizational structure of enterprises, place the enterprises with advantages and the products with advantages in the lead to organize enterprise associations, be determined to close down and suspend the production of the enterprises that have suffered losses for a long time and the enterprises whose losses are impossible to reverse.

In regard to the issue of accelerating technological transformation based on the existing foundation, Vice Governor Cong Fukui pointed out: The priorities in technological transformation in the Eighth Five-Year Plan period are to prominently develop power stations and complete sets of metallurgical facilities; to coordinate development of mechanical and electronics trades; to develop key products, including farm machinery products; and to improve product quality. We should conduct technological transformation to reduce the consumption of energy and raw materials, regard the increase in foreign exchange earnings through exports and the increase in the production of import substitutes as one of the technological transformation targets, and do a good job in equipment renewal and technological transformation to ensure the safety in enterprises' production and to maintain simple production.

### Tianjin Automobile Manufacturing Industry Develops

*OW2310043191 Beijing XINHUA in English 0306 GMT 23 Oct 91*

[Text] Tianjin, October 23 (XINHUA)—The automobile manufacturing industry in Tianjin, the largest coastal municipality in north China, has developed into one of the city's three industrial mainstays during the past several years.

The auto manufacturing industry sits alongside the electronics and offshore petrochemical industries as the city's industrial base.

Tianjin, one of the major production bases for light and small-sized automobiles, has also become one of the country's six automobile production bases. Manufacturing plants in Tianjin now produce several types of vehicles which are popular with consumers across the country, including buses, sedans, station wagons, and heavy-duty and specially equipped trucks.

The "Xiali" sedan produced in Tianjin is one of the best selling automobiles in the country due to comparatively low price, low oil consumption and compactness.

As part of an effort to hasten the development of its automobile industry, Tianjin plans to increase the scope of production for light vehicles during the Eighth Five-Year Plan (1991-1995). The industry is targeting a production capacity of 100,000 automobiles per year by the end of 1995.

The city's overall development plan calls for the area surrounding Yangliuqing, which is located in the suburbs, to be transformed into a satellite city involved mainly in the automobile manufacturing industry.

The Tianjin municipal government has also decided to give priority to the renovation of key technological items related to the auto industry.

During the first nine months of 1991, the city's automobile industry has set a number of records: The total

output value of the auto industry reached 224.5 million yuan (42.4 million U.S. dollars), an increase of 59 percent over last year's same period; the city has also produced 31,158 vehicles, an increase of 56.6 percent; and, the industry has recorded profits of over 143 million yuan, a two-fold increase.

Tianjin now plays an extremely important role the country's automobile manufacturing industry.

## POPULATION

### Flood, Ecology, Population Control

92CE0046A Beijing ZHONGGUO RENKOU BAO  
in Chinese 9 Sep 91 p 2

[Article by reporter Zhang Changcai (1728 2490 1752):  
"Flood, Ecology, Population and Others"]

[Text] 1991 has been an unforgettable historical year.

Much of China suffered from extreme weather, floods, droughts, winds, hailstorms and other natural disasters. Nationwide, 18 provinces, municipalities, and districts were inundated by floods. The Changjiang River-Huaihe River and Taihu area and the middle and lower reaches of the Changjiang were drenched by heavy rains, which brought disastrous floods, never before seen in a hundred years, to Anhui, Jiangsu, Hubei, Henan and other areas, causing tremendous loss in life and property.

In Anhui, 44 million of its 54.69 million people became flood victims; 8.92 million people were marooned by floodwater, and more than 1.5 million homes collapsed in the flood. Feixi County's Sanhe Town, a thousand-year-old trading port, was washed out by floodwater in 20 minutes. Some of the floodwater-storage areas along the Huaihe River were completely engulfed in a few hours.

In Jiangsu, according to incomplete data, 35,000 industrial and mining enterprises and warehouses were flooded, and as many as 28,750 enterprises have to shut down or semi-shut down due to extensive damages. Province-wide, 17,726 villages were marooned by floodwater. More than 42 million people were affected. Direct economic loss incurred by industry and agriculture topped 23 billion yuan.

Meanwhile, rain has not fallen in south China, in the southern part of the lower reaches of the Changjiang River, and in the northwest, and Fujian and Gansu are facing severe droughts. Our drought-relief task is very arduous.

To the northeast, Jilin and Heilongjiang are in the midst of an all-out struggle against a flood disaster.

What is heaven is happening? What on earth is going on?

According to Zou Jingmeng [6760 4552 5536], director of the State Meteorological Administration, this summer's abnormal weather was due mainly to the subtropical high pressure system in the Pacific. Areas under this high pressure system normally have good sunny weather, and north of this system, the air is saturated with moisture, which means widespread rain. In mid-May of this year, this subtropical high pressure system shifted to the north, 20 days earlier than usual, and landed between latitude 20-25 degrees north, further north than normal. It dominated southern China, with the Changjiang-Huaihe area to its north. After this subtropical ridge of high pressure shifted, it remained stationary, and so the whole southern China was dominated by this high pressure system and remained dry during the rainy season, and the rainy season came early to the Changjiang-Huaihe region. On the other hand, the convergent zone where the streams of dry and cold air and wet and warm air meet usually marks the rain area. In May through July of this year, the cold air was very active, and it converged with the stream of warm and wet air above the Changjiang-Huaihe region, and throughout this period, the ridge of subtropical high pressure remained stationary. That is why we had the sustained rainstorm.

Such meteorological phenomena may be the direct cause of this summer's severe floods, but what brought on such adverse weather conditions? Looking at the immediate causes, we all know that sunspot activities reached a peak in 1990, and in June of this year, there were explosive solar flares. Since April, we have had El Nino occurrences in the Pacific, near the equator. Studies show that the occurrence of El Nino usually signifies severe droughts in some parts and disastrous rainstorms in other parts of the globe. In addition, since the volcanic eruptions in Japan and the Philippines in early June, some regions where volcanoes are found have been getting less short-wave solar radiation, and there has been a sharp increase in sulphur dioxide and volcanic ashes in the atmosphere. All these can have an effect on the global environment and cause weather changes. The more than 500 oilwell fires in Kuwait are releasing thick smoke into the atmosphere, and the smoke is spreading throughout a wide area and has caused a drop in temperature in the gulf region, and these too can cause certain changes in the weather pattern. For a more remote cause, according to geographers, earth is particularly susceptible to serious natural disasters when the nine planets line up in a row. This phenomenon recurs every 100 years, and we are in the midst of just such a cycle.

But the most important factor, the one thing that can change the global climate, the natural environment, and even the ecology, is human. War, industrialization, mining, the burning of fossil fuels, the felling of trees in the forests, the sharp increase in population, and the over-crowded cities—all these human activities can affect the climate and upset our ecological balance.



The history of mankind proves that we should never let ourselves be intoxicated by our temporary victory over nature, because every victory will quickly bring punishment from nature.

In a certain sense, this summer's disastrous flood was the revenge and a warning from mother nature and from the gods above because we have ruined this country's ecology and environment.

The per capita forest area worldwide is 9.8 mu, but it is only 1.8 mu in China, and our forest coverage rate is only 8.9 percent. The per capita forest reserve worldwide is 72 cubic meters, but only 8 cubic meters in China. China only has 1.5 billion cubic meters of felleable mature forest on reserve, with an annual maturity rate of 300 million cubic meters and consumption rate of 400 million cubic meters. If this situation is not turned around, China will deplete its entire mature forest reserve by the end of the century. This forestry crisis can lead directly to an ecological crisis. Land erosion in China has increased from an area of 1.16 million sq km in the early days of the Liberation to 1.6 million sq km today, losing 5 billion tons of soil a year. Nationwide, silt deposits in the reservoirs have resulted in our losing more than a billion cubic meters in holding capacity a year, and navigable rivers have also been shortened by 364,000 meters because of silt deposits.

Desertification of land has wreaked large-scale disasters. China's deserts and desertified land already extend 1.533 million sq m, 15.9 percent of the country's total area, which exceeds the sum total of the country's arable lands. From the 1950's to the 1970's, desertification expanded at an average rate of 1,560 square meters a year, and in the 1980's, the process expanded at an average rate of 2,100 square meters a year. Desertification not only encroaches on and buries farms, ranches, villages, roads, and irrigation projects but also raises the river beds and turns water reservoirs into sand boxes and causes floods. Today, the Huanghe River has already been turned into a "hanging river," and the Changjiang River is turning into the Huanghe River.

The total area of inland rivers and lake has been shrinking. Since 1954, we have lost 13,000 sq km of lake area in the lower reaches of the Changjiang River. In particular, Poyang Lake has shrunk by 40 percent, or about 80,000 hectares, Dongting Lake has lost 170,000 hectares, and Taihu Lake lost 160,000 hectares between 1969 and 1974. There were 1,066 lakes, totaling more than 8,000 square meters, in the Changjiang-Hanshui plain in the early days of the Liberation; only 326, a little over 3,000 sq meters are left today.

Many water conservancy projects are in a state of serious disrepair in recent years. After the liberation, China took up many large-scale water conservancy projects. Many large rivers, lakes, and reservoirs were dredged and repaired, which contributed considerably to flood-control and water conservancy and greatly reduced the threat of natural disasters. But in recent years, things

have not been as good. Prior to 1980, the total irrigated area was increasing at a rate of 15 million mu a year, but since then, except for the Sixth Five-Year Plan period when total increase was offset by total decrease, we have had a net decrease of 14.77 million mu, averaging 3 million mu per year. Nationwide, there are more than 86,000 reservoirs, about 40 percent are on the "critical list." We can find comfort in the fact that the State Council has recently promulgated an order to appropriate 300 million yuan to repair water conservancy projects and highway and bridges.

Environmental deterioration, ecological imbalance, and serious over-population are inseparable problems.

Because of the growing population, and in order to satisfy the basic needs of food, drink, housing, and fuel, people have been destroying forests and developing wasteland, reclaiming land from lakes and turning them into farms, and these have exacerbated the conflict between human survival and the ecology, and eventually we must suffer nature's punishments. Over a period of nearly 2,000 years, Chinese history books have recorded more than 1,000 disastrous floods. In the Changjiang flood of 1931 alone, more than 100,000 lives were lost and tens of millions of families lost their homes. If not for the CPC'S leadership, if not for the socialist system, we could not even have begun to estimate the casualties of this year's disastrous flood. Therefore we must look at things from the ecological perspective, control the population increase to within what the country's natural resources and environmental conditions will support, and allow the population to grow only to environmental capacity.

Finally, even the mighty torrents are calling out to us, saying, "In order to maintain ecological balance, we must successfully keep the rapid population increase under control."

## TRANSPORTATION

### Air China Inaugurates Flight Link With Cairo

OW0910010891 Beijing XINHUA in English  
1804 GMT 8 Oct 91

[Text] Cairo, October 8 (XINHUA)—A Boeing 707 of Air China touched down at Cairo International Airport at 16:25 local time this afternoon, the first passenger flight between the capitals of China and Egypt.

Egypt is the third Middle East country that China has air links with, the other two being Kuwait and Iraq.

Heading a friendship delegation for the inaugural flight, Deputy Director-General of the Civil Aviation of China Yan Zhixing said he hoped the new airlines would contribute to the promotion of friendship among peoples and to the development of political, economic, trade and cultural exchanges between China and other countries.

This is the third direct air service China has opened this year following the inauguration of flights from Beijing to Jakarta and to Ulaanbator.

An inaugural ceremony was held at Beijing International Airport before the flight started early this morning.

The airliner made a brief stopover in Dubai and arrived in Cairo after nearly 13 and a half hours of flight with more than 140 passengers on board. Air China flies to Cairo once a week on Tuesday and returns to Beijing the next day.

### **Yun-12 II Aircraft Sold to 7 Countries**

*HK0411145691 Beijing ZHONGGUO XINWEN SHE in Chinese 0900 GMT 4 Nov 91*

[Text] Shenyang 4 Nov (ZHONGGUO XINWEN SHE)—The China-made "Yun-12 II" aircraft is popular among overseas clients for its excellent quality.

According to a HEILONGJIANG RIBAO report not long ago, Harbin Aircraft Manufacturing Company has already initialed contracts on marketing 17 airplanes of the model in question with seven countries this year.

Export of "Yun-12 II" began in 1986. In its wake, Harbin Aircraft Manufacturing Company, which produced such aircraft, improved on the model according to the world market's demand, and developed aircraft for four purposes, including advanced passenger transport, agriculture, forest protection and fire-fighting on the basis of the original four purposes, including object-searching and maritime monitoring, with the market opening up.

Presently, all parts of the "Yun-12 II" are up to first grade. The products meet international standards and requirements for flight in design, production, and marketing. Not long ago, the aircraft was awarded a gold medal by the international quality assessment committee. Harbin Aircraft Manufacturing Company has also won the 1991 16th International Best Reputation Prize for its good quality "Yun-12 II" aircraft.

### **Joint Investment Accelerates Railway Development**

*OW1211025391 Beijing XINHUA in English 0231 GMT 12 Nov 91*

[Text] Guangzhou, November 12 (XINHUA)—Participants in a national meeting held here today were told that joint investment by the central government, local authorities and enterprises will play an important role in development of railways in China.

According to information released at the meeting, joint investment has been used to build trunk lines to 16 provinces and autonomous regions, including Inner Mongolia, Xinjiang, Shaanxi, Guizhou, Shanxi, Zhejiang, Fujian, Guangdong and Yunnan.

Over the decades the central government, localities and enterprises have pooled over 20 billion yuan (about four billion U.S. dollars) to construct 16 railway lines extending 5,659 kilometers.

Thus far, four lines extending 1,133 kilometers have been completed and opened to traffic. The lines include: the Nanning-Fangcheng railway in the Guangxi Zhuang Autonomous Region; the Baotou-Shenmu railway in the Inner Mongolia Autonomous Region and Shaanxi Province; the Urumqi-Alataw Pass railway in the Xinjiang Uygur Autonomous Region; and, the Sanshui-Maoming railway in Guangdong Province.

During the meeting, which was jointly sponsored by the State Planning Commission and the Ministry of Railways, participants were told that joint investment has served to combine state interests with local interests. In addition, joint investments have resulted in the pooling of resources of different sectors, and has alleviated capital shortages, while at the same time accelerating the speed of construction.

Chinese officials attending the meeting said joint investments in railways—a strategic decision for railway development—will inject new vigor into the construction and management of railways and will promote railway reform in line with the development of the national economy. During the 1990s, China will place even greater emphasis on building railways with joint investment.

### **Container Fleet, Land Support Facilities Increase Rapidly**

*HK0810014091 Beijing CHINA DAILY in English 8 Oct 91 p 2*

[By staff reporter]

[Text] China has developed a strong container fleet boasting 42 international sea routes and 1.2 million standardized containers, according to yesterday's Economic Information newspaper.

Since 1973, the country has constructed more berths, raised land and sea transport capacities and improved management for container shipments.

Every month, 140 containers ships sail out of Chinese ports to 65 destinations in 32 countries.

The Shanghai Ocean Shipping Company is the ninth biggest of the world's top container transport firms.

Between 1981 and 1989, the transport volume of containers for international and home markets increased at

an annual rate of 35 percent. In addition, container docks and domestic transport networks for containers have also been expanded.

During the Eighth Five-Year Plan period starting this year, the container shipments will continue to develop with Shanghai as the centre. It will be supported by a network of river, sea, land and air transport.

The country plans to build deep-water ports for containers in Dalian, Dayaowan, Ningbo, Fujian and Shenzhen.

A total of 250 berths are expected to be built during the period, which means 250 million tons of additional transport capacity.

Highways connecting industrial cities and ports will also be built to form a modern road transport network.

### **Construction of Tumen-Hunchun Railway Accelerated**

*SK1710061491 Changchun Jilin People's Radio Network in Mandarin 1030 GMT 16 Oct 91*

[Excerpt] Construction of the Tumen-Hunchun Railway is in full swing. This project is now at the stage of laying tracks. This railroad is expected to open to traffic completely in September 1992. The Tumen-Hunchun Railway is built with the joint investment of Jilin Province, the Ministry of Railways, and the Ministry of Agriculture. Starting at Tumen City and ending at Hunchun City, this railway is 66 km long. This railway is a part of the overall construction of the Hunchun Development Zone and is an important way to open the door to the outside world. [passage omitted]

### **Liaoning Constructs Highway Network Project**

*OW2210130891 Beijing XINHUA in English 1238 GMT 22 Oct 91*

[Text] Shenyang, October 22 (XINHUA)—Liaoning Province plans to become the largest highway hub in northeast China over the next 10 years.

Information released by the State Ministry of Communications says that the state will invest over 300 million yuan to construct the highway transportation network, the first such project in the country.

A provincial official in charge of highway communications told XINHUA that the construction of the infrastructure, including a dispatch control center and a transportation system for passengers and freight will be completed within the next five years. He said that the province will continue to construct cargo and passenger terminals with varying functions during the Ninth Five-Year Plan period (1996-2000).

Shenyang, one of the key points in the state communications network, is the hub for four artery railway lines

and five state highways. The newly completed Shenyang-Dalian expressway joins five major cities and two harbors on the Liaodong Peninsula. In addition, a super highway ring road surrounding the city is now under construction. When completed, the ring road will join the highway network which radiates from the city and will connect with the most complete highway network in the country.

The storage and terminal facilities already constructed in the city provided a solid foundation for further development of the highway hub.

## **AGRICULTURE**

### **Article on Facilitating Commodity Circulation**

*HK0611053791 Beijing JINGJI RIBAO in Chinese 16 Oct 91 p 3*

[By Chen Junsheng (7115 0193 3932): "On Facilitating Circulation of Agricultural Products"]

[Text] **First, It Is Necessary To Change People's Thoughts and To Attach Importance to Circulation as Much as to Production**

Product circulation is a bridge and a bond between industry and agriculture, between cities and the countryside, and between production and consumption. It is an indispensable link in the process of reproduction. Only through exchange or circulation can products be turned into commodities and currency and can consumption and value compensation be finally fulfilled. Peasants input their labor and production materials in the process of production. If their products cannot be turned into commodities or cannot be sold, the value of the products will not be actually achieved and the peasants will not have their work compensated or recover the funds they have invested. Such losses will be even greater than producing nothing. As the intermediary link between production and consumption, circulation not only affects production but also affects consumption. Production determines circulation; at the same time, circulation also reacts to production. Under certain conditions, circulation may even determine production.

In a planned commodity economy, production and circulation are unified and mutually complementary. The more developed the commodity economy, the more important circulation will be. We can say that the development degree of circulation also marks the commodity economy's developmental level. The outline of the 10-Year Program and the Eighth Five-Year Plan for economic and social development adopted by the Fourth Session of the Seventh National People's Congress points out that, "it is necessary to continue to deepen the commercial and material distribution systems' reform and to gradually establish a highly efficient commodity circulation system under the state's guidance and management." This is a requirement for the facilitation of

commodity circulation as a whole and is also a requirement for facilitating the circulation of agricultural products.

Since reform and opening up began, along with the development of commodity production, people have gradually deepened their understanding of commodities and commodity circulation. However, certain long-standing thoughts remaining in the minds of many people are still preventing people from correctly approaching this issue. First, the traditional mentality of looking down on commercial activities and restraining commercial business still exists. Second, the system of state monopoly for purchase and marketing of all products in more than 30 years after the PRC's founding is still influencing the process of reproduction and prevents it from being oriented to market demand. As a result, people are used to arranging production first and arranging the supply of raw materials and the marketing of products later. They are not used to adapting production to the market demand and the supply of materials and do not have the concept of a commodity economy, in which production is organized according to market needs. For example, no sufficient attention was paid to the construction of infrastructural facilities for commodity circulation in our country after the PRC's founding. As a result, there is now a shortage of storage facilities of all kinds in various parts of the country. Without sufficient storage facilities, it is impossible for the state-owned commercial enterprises to play a role as a reservoir. Without a pool, how could water be kept? On the surface, people found it hard to buy or sell things; in fact, the problem was that there was no place to store goods. Circulation remained a prominent weak link in the whole economic cycle. Therefore, in order to further deepen our reform, we must take circulation as a key link for the long-term development and prosperity of our socialist commodity economy. Otherwise, the enthusiasm of commodity producers will be seriously dampened, and the productive forces will be damaged. Marx made a vivid description: The sale of commodities is a risky leap. If the leap fails, what will be broken are not the commodities but definitely the commodities' owners. At present, commodity circulation is still inefficient and unsmooth, it is still difficult to buy and sell things, and overall management and control remain ineffective. These are still prominent problems. This first harms the producers' interests. We should overcome the difficulties in marketing goods before goods are produced and should arrange production in light of market needs. This is more important than dealing with difficulties in selling goods after goods are produced. Now, as some peasants are still unaccustomed to the operation of a commodity economy, they try harder to sell their products when the prices are lower, and become more unwilling to sell their products when the prices are rising. Their production tends to be blind. Some peasants just plant crops that are lucrative or just plant the same crops they did the previous year. On the contrary, they are unwilling to plant crops that incurred losses in the previous year. The peasants should not be blamed for

this. This problem only shows that we have not provided them with sufficient market information. Without distinct market information, it is hard for the peasants to prevent themselves from arranging their production blindly. We did not pay sufficient attention to this problem for a long time. Therefore, leading comrades at various levels must attach importance to circulation as much as to production and properly solve problems in circulation as they do in production. At the same time, it is also necessary to help peasants change their mentality and establish the thought of orienting production to market demands.

### **Second, Building Up a Market System Is the Key To Facilitate Commodity Circulation**

Commodities are exchanged through the market. The market plays a great role in guiding production and conducting exchange. The market's role in promoting production must not be underestimated. To facilitate the circulation of agricultural products, the first step to be taken is to build up a market system and to gradually form a set of vigorous market mechanisms. The market system should generally include such component parts as state and cooperative commerce, fair markets, comprehensive markets, specialized markets, and wholesale markets. Among them, wholesale markets (including specialized wholesale markets) constitute the system's center. The purpose of establishing the market system is to directly link production with marketing, thus stabilizing the relationship between supply and demand, restraining violent price fluctuations, reducing intermediary links, and lowering the costs of circulation. The establishment of various types of markets should be arranged according to the actual conditions, and the layout should be reasonable. For example, a number of comprehensive and multifunctional commodity markets can be set up in some large and medium cities; a number of regional wholesale markets can be set up in major producing areas of agricultural and sideline products and areas with good transportation conditions; grain fair markets (grain management offices) can be set up in major grain producing counties, and transregional and provincial grain wholesale markets can be established in localities with the necessary conditions; and different types of specialized wholesale markets can be set up in some localities for mainly producing some products (such as apples and oranges).

In the market system, at present, we should particularly attach importance to the grain market's development. On the basis of guaranteeing the fulfillment of grain purchase quotas, we should fully decontrol grain dealings and allow grain to flow into fair markets or wholesale markets. Practice shows that allowing grain to flow into markets is an important measure for facilitating grain circulation, and it is completely feasible. Hubei Province began setting up elementary-level grain markets (grain management offices) in 1986 under six conditions. Namely, there were places for transactions, regulations and rules, service facilities, boards for listing prices, places for storing grain to be sold, and places for storing

grain after being sold. In June this year, the whole province had set up 899 elementary-level grain markets, which achieved good results. In 1990, the quantity of grain transactions exceeded 1.7 billion jin, over 35 percent of the total turnover of grain transactions (at negotiating prices) in the whole province. Such elementary markets are not only bolstering up hundreds of thousands of grain producers, but are also bolstering up innumerable grain traders. Like innumerable stars in the sky, they form a huge galaxy that moves with great momentum. In Hubei, such elementary markets not only exist in grain producing areas, but also in nonproducing areas. Some peasant households have surplus grain, but others are short of grain. So there are objective needs for both buying and selling grain. The elementary grain markets thus emerged to meet such needs, and they have strong vitality. They were described as "a bond to link cities and the countryside, a bridge between production and marketing, a window for getting information, and a medium between would-be buyers and sellers." Another type is grain wholesale markets. The Zhengzhou Grain Wholesale Market, a state-level grain market jointly run by the Ministry of Commerce and the Henan provincial government, has won favorable comments from various quarters. In particular, it plays an important role in setting guidance prices for other markets, and provides important market information for all localities. JINGJI RIBAO published four articles on 4, 7, 10, and 13 September to analyze the Zhengzhou grain market. The articles fully affirmed the grain market's positive role, and they are worth reading. In addition, grain wholesale markets have also been set up in Heilongjiang, Jilin, Anhui, Jiangxi, and Hubei. They have also achieved initial results. According to statistics kept by four grain wholesale markets, including that in Zhengzhou, the volume of grain transactions reached 5.8 billion jin in a period of less than one year. Practice has shown that developing grain wholesale markets is an effective way to facilitate grain circulation, and such markets also give price guidance to grain transactions. In addition, this can also help mitigate the shortage of storage facilities and help arrange the transport of grain in a planned way.

In addition to grain wholesale markets, in recent years, many nonstaple food wholesale markets have also been set up in various localities. I have visited the vegetable wholesale markets in Beijing, Shanghai, Tianjin, Tangshan, and Shouguang of Shandong. They are all rather brisk and have acquired successful experience. The emergence and development of wholesale markets are in line with the regularity of economic development. At least, they have the following advantages: First, they can concentrate large transactions and form more reasonable prices according to the supply and demand of various goods and the quality of the goods. Second, they may play a better regulating role, expand the scope of regulation, and promote the development of large-scale circulation and the growth of large-scale markets, thus solving the contradiction between small-scale production and large-scale markets. Third, they can provide timely information for producers and suppliers and automatically

adjust supply. Fourth, they really meet the requirements of being open in business operations, forming multiple circulation channels, and reducing intermediary links. This is conducive to the forming of fair competition and orderly circulation. Fifth, they can result in gradually reducing state subsidies, and their advantages will become more obvious with the markets' growth and perfection.

What the people are most concerned about is still the grain issue. First, if a larger proportion of grain is distributed through the markets, and the grain price declines when the grain supply increases, how can the producers' enthusiasm and interests be protected? And if the grain price rises when grain supply decreases, how can the state ensure that a sufficient quantity of grain is purchased? That is to say, will there be any risks if grain can be bought and sold freely? Indeed, problems will exist objectively. There should be two guarantees. First, the state should continue to place purchase orders. Second, the special reserve items cannot be called off. The state's purchase orders can guarantee that the state will still be able to acquire necessary grain when the grain supply decreases. When the grain supply increases and the grain price slides down, the state can increase some special reserve items to make preparations against lean years and to protect the interests of peasants by stabilizing the grain price. The latter measure has just been put into practice for one year, and has yet to be perfected. This year, the Tianjin Conference formulated a number of improvements. Among them, first, the state's special reserve items will mainly be adopted in major grain producing areas in order to protect the grain producers' enthusiasm; and second, quotas for special reserve items will also be assigned to peasant households in a certain proportion of the purchase orders they fulfill so that the they will also be directly benefited by the advantages of the special reserve items. With these two guaranteeing measures, free grain transactions on the markets will not bring about major problem.

The markets are important. Then, how should the market system be established? According to the current development, the establishment of wholesale markets can be conducted according to the principles of developing from a simple one to a sophisticated one and from a small number to a large number, conducting business transactions in the process of development, and improving gradually. The central government cannot give all the funds for establishing the wholesale markets; instead, such funds should be raised through various channels and should be given mainly by the local governments concerned. Various quarters should be encouraged to run markets so that a new pattern of fair markets existing at different levels and being diverse in form and function can take shape. In the course of building markets, we should continuously sum up experience, gradually set up flexible and effective market management systems and operation mechanisms, and ensure that the building of a market can promote the development of an industry, invigorate a local economy, and enrich the

masses in a locality. On this issue, we should not require all localities to follow the same model or rush headlong into mass action. Instead, various localities must act in light of their actual conditions and abilities.

In this regard, two issues must be clarified here:

First, individual peasants should be allowed and encouraged to participate in the commercial activities in various forms, especially in the wholesale markets. They can directly sell their products and can also be engaged in transporting and trading the goods. Without the participation of commodity producers, the market is not a complete market, and such a market cannot become brisk. In Shouguang County, Shandong Province, the yearly vegetable output was 2.5 billion jin, but there were no stockpiled products, and all products could be sold. In Heilongjiang Province, some 400-500 million jin of watermelons could be sold throughout the country. They mainly relied on the participation of peasants.

Second, all kinds of markets must be open in their operation. Openness is the commodity economy's essential attribute. Without openness, there will be no market. At present, some localities still block the movement of goods and try to keep their local markets closed. On the surface, such local blockades are aimed at protecting local interests; in fact, they just harm the interests of local producers and consumers. If this problem is not solved, it will not be possible to really facilitate commodity circulation. In order to facilitate commodity circulation, in late July, Shaanxi Province began to screen and rectify the road checking points and stop various irregular practices in raising prices and levying charges. In 40 days, they removed 2,289 road checkpoints. Of course, this task was arduous and encountered strong resistance. But the provincial leadership was determined to solve this problem and dispatched 75 inspection teams to various localities. After the inspection, the provincial authorities approved the action of closing down one-third of the existing checking points. The remaining checking points were all listed in SHAANXI RIBAO and their names, locations, and inspection items were also specified. The provincial authorities also authorized the provincial public security department to issue certificates to these legal checking points. When collecting charges and fines, they had to issue receipts printed by the provincial finance department. Checkpoints without certificates or not issuing official receipts will be regarded as illegal, and people who are checked will have the right to complain to the local public security authorities. Such measures taken by Shaanxi are worth being introduced to other localities.

### **Third, Properly Settling Problems in the Circulation of Agricultural Products With the Mentality of Reform and Opening Up**

At present, the objective conditions are mainly favorable to the facilitation of the circulation of agricultural products. Good harvests have been reaped for a number of consecutive years, and supply and demand are basically

in good balance. This is the material foundation for facilitating the circulation of agricultural products. Is it not true that the transactions of vegetables, aquatic products, and fruits are brisk after free marketing of such goods was allowed? In recent years, vegetables supplied through various channels in large-scale circulation account for about 50 percent of all the vegetables supplied to large cities, 70-80 percent of vegetables supplied to medium and small cities, and over 90 percent of vegetables supplied to county and below county-level towns. The proportion of vegetables being supplied through various commercial channels will increase further. When talking about the principle of combining the planned economy with market regulation at last year's national work conference on the supply of nonstaple food in large and medium cities, Comrade Li Peng said: "In my view, it is very likely that comparatively perfect experience is first acquired in the production and supply of nonstaple food."

A profound lesson to be learned from the past experience in our economic work was the fact that we brought too much under too rigid control, including things that we could not and should not properly control. If we still try to stick to such practice, we will not be able to facilitate commodity circulation at all. Through several years' reform, the supply of vegetables has been based on an increasingly wider scope of free market transactions. This did not cause any trouble. On the contrary, the vegetable markets have become more and more prosperous and stable. Then, why cannot the handling of grain and other agricultural products also follow the same line? If this or that product cannot be put into market circulation, what will we do in our reforms? There will be no way out if we mark time or regress.

In order to facilitate the circulation of agricultural products, it is necessary to delegate more decision-making powers to local authorities. In fact, local authorities can do a lot of things in this regard. It is necessary to bring local initiative into full play. The state cannot bring too many things under its control. For example, it is impossible for the state to properly manage all special grain reserve items. Moreover, if the state is going to manage all special grain reserve items, the grain market would not exist any longer, and there would not be diverse circulation channels. Therefore, there should be a reserve target, and a multitiered grain reserve system, with the state reserve as the center, should be gradually set up. This system should at least include the three tiers of state, local, and individual reserves. It is far better to have the initiative come from three sources than merely from one source alone.

In the aspect of facilitating the circulation of agricultural products, many localities have acquired good experience through persistently carrying out reform and opening up and conducting experiments. For example, there are the system of integrating production and marketing and the practice of incorporating peasant households in companies. Some localities also linked this with the reform of county-level administrative structures. In Xixian County

of Shanxi (one of the province's poorest counties), economic departments related to agriculture organized a service institution oriented to production development, thus combining their management work with the peasants' interests. We would not be able to figure out such solutions if we merely sit in our offices. This county thus combined the reform of the county-level administrative structure with the work of developing the commodity economy in the poor mountainous areas by allowing the county institutions that have relations with agriculture to participate in the new scope of production through forming a service company for breaking new ground in production. Their reform experience can be summarized into two main points: First, reforming the management structure in light of the needs in economic development by using the existing government institutions to organize a service center for breaking new ground in production. Second, effecting integration of production and marketing. This not only settled problems in service, but also settled problems in commodity circulation. At the same time, this also promoted the reform of the county-level administrative structure. In this county, they set up 10 development and service centers in various agricultural-related departments, namely, agricultural technology, forestry, animal husbandry-industry-commerce, tobacco, fruit trees, rabbit raising, fungi, farming machines, science, and farmland capital construction. Service companies were set up in townships and were closely linked with peasant households. These centers and companies played a positive role in promoting the production of grain, cooking oil, fruits, animal products, and tobacco. The county-level service institutions function as locomotives in the countryside's industrial development and as bridges to link peasants with the market. The service centers and companies also gave expression to the principle of specialized production, and they had a distinct characteristic of division of work while covering all fields of agricultural operation in the whole county. Each center was oriented to the development of one industry or one trade. While providing services and conducting business operation, they also exercised unified management over the issuance and recovery of funds; the distribution of information; the promotion and spread of new techniques; and the processing, storage, and marketing of products. Management was being exercised in the process of service and was improved through the provision of services. Their management, service, and business operation integrated these centers and companies with peasants into the same interest entity. The service centers also established their own production bases through reclaiming waste land, and these production bases became their main revenue sources. At the same time, they also trained technical personnel and demonstrated new techniques. The personnel of these service centers were mainly the original personnel of the agriculture-related government departments. The original administrative structure remained unchanged. So the same personnel served in both the service centers and the relevant government bureaus and commissions. On the one hand, the service centers were included in the county government's official budget as

administrative organs; on the other hand, they also earned business income and were gradually getting financially independent from the county's official finances through developing their operation. The experimental practice in the past three years showed that such a reform measure was successful. The county's economic growth rate in these three years was obviously higher than before, and was also higher than those of other poor counties. In 1990, the county's total agricultural output value increased 108 percent over 1987; grain output increased 165 percent; the county government's revenue increased 134 percent; and five major industries, namely, the production of grain, fruits, cooking oil, animal products, and tobacco, were developed into the county's economic pillars. At present, 720 people are working with the service centers, and 218 of them are party and government cadres. Now, nearly 100 cadres are no longer paid by the county government. It is expected that 400-500 cadres in the next three to five years will be dissociated from the county government's payroll. A more valuable result is that a major change has occurred in the mentality of the cadres working with party and government institutions. In the past, few party and government cadres were willing to work with the administrative institutions managing agriculture and forestry; at present, many people want to work with these institutions. In the past, the county government had to allocate administrative funds to the agriculture-related institutions and pay cadres. At present, the service centers can pay taxes and turn over other income items to the government treasury. In the past, peasants seldom came into contact with agriculture-related departments; now, through management, service, and business operations, they have formed the same interest entity, and the peasants and the agriculture-related institutions cannot be separated from each other any more. By citing this example, I do not mean that all localities must do the same thing. They should adopt their own measures according to their own specific conditions. However, we all should learn from Xixian's spirit of being courageous to explore and to advance reforms. Shandong and Heilongjiang also acquired good experience in developing trade-industry-agriculture integration, and their experience should also be properly summed up. Some localities expanded the business scope of supply and marketing cooperatives; reformed the employment, distribution, and cadre appointment systems; and reinforced the internal dynamism of the institutions. They changed the economic conditions in a short period of one year and began to make profits. However, some localities did not proceed from improving the enterprise management mechanisms. Even though the administrative officials made great efforts, they still could not stop business losses.

Persistently carrying out reform and opening up and acting according to the law of value, this is the fundamental guiding principle for facilitating commodity circulation. There remains certain resistance in this regard. Part of the resistance exists in some people's mentality. Some comrades are still influenced by the previous



practice of state monopoly for product purchase and marketing. When the old conventions were broken, they would complain that things had gone too far. On the other hand, resistance also came from some local and selfish department interests. Some people could not bear any reform that might affect their local or departmental interests, so they tried hard to keep all previous rules and regulations from being changed. In that case, reform and opening up would just be a meaningless slogan. The only criterion for judging whether something should be controlled or decontrolled is whether it is favorable to the development of productive forces. All reform measures that are favorable to the development of productive forces should be supported. One should not use one's old conventions to restrain other people's actions. People may propose and support different paces, steps, and methods on the matter of reform and opening up. This is normal. Discussions can be carried out on an equal footing. It is not the problem of a certain department or person that some traditional conceptions cannot be replaced with new ones. It will take time to change the concepts that were formed over a long time in the past. However, social and economic development requires us to have a sense of urgency. We should have the spirit to racing against time, and should persist in, support, participate in, and promote reform. This is a mission entrusted to us by history.

#### **Food Industry Ranks Third in National Production**

*OW1611100191 Beijing XINHUA in English  
0659 GMT 16 Nov 91*

[Text] Beijing, November 16 (XINHUA)—The food industry has become one of China's pillar industries and in 1990 the output value of the industry reached 130 billion yuan, third of all industries in China.

Over the past decade, the food industry has developed into a complete system with 54,300 enterprises involved with food products and 743 enterprises with food machinery production.

There are also 88 universities and colleges, 179 secondary professional schools which have food disciplines and 200 food research institutes.

More than 100 kinds of food products have gained prizes at various kinds of international fairs or exhibitions in the past decade.

In 1990, the value of China's food exports was 5.645 billion U.S. dollars, increasing by 148 percent over 1980.

By the end of this century, the output value of China's food industry is expected to reach 254.8 billion yuan.

#### **Good Sugar Output Expected**

*OW1311054591 Beijing XINHUA in English  
0348 GMT 13 Nov 91*

[Text] Beijing, November 13 (XINHUA)—China is expecting its sugar output in the coming 1991-92 production period to exceed 6.5 million tons, CHINA FEATURES reported.

In the previous 1990-91 refining season, national sugar output hit an all-time high of 6.33 million tons, according to Li Xingyu, a sugar expert with Ministry of Light Industry, which supervises the country's sugar production.

The sustained rise of China's sugar output is attributed to a series of production-boosting measures adopted by the government three years ago after a dramatic output decline, it said.

In the 1987-88 refining season, national sugar output was only 4.33 million tons, a drop of almost 1 million tons from the previous season's 5.27 million tons. As a result, the government had to increase sugar import to make up for supply shortfalls.

In late 1988, the government decided to launch a giant production-expansion program aimed at developing four regions into new sugar-production bases: Guangxi, Yunnan and Guangdong's Zhanjiang Prefecture in the South and Xinjiang in Central Asia. Dramatic output increases testify to the success of the program, it is reported.

In the coming 1991-92 refining season, according to Li, the country's sugar crop acreage totals about 1.82 million ha, 250,000 ha more than in the previous season.

Currently, sugar-cane in south provinces is growing well and expected to have a good harvest, sugar-beet in the north, however, has been affected by excessive rainfall and its sugar content will drop slightly, said Li.

"That will not affect our production goal of 6.5 million tons of sugar in the coming refining season," he said.

#### **Water Conservancy Projects Funded in Flood Regions**

*HK2810013891 Beijing CHINA DAILY in English  
28 Oct 91 p 3*

[By staff reporter: "Post-Flood Irrigation Repair Work Stepped Up"]

[Text] The State Council has decided to grant funds of 300 million yuan (\$57.7 million) to speed up the renovation of the water conservancy projects damaged in the summer flooding.

The funds will be used to repair the main embankments and reservoirs, drainage works and key water control projects in important irrigated areas.



Anhui Province which suffered most seriously from the flooding, has repaired 60 percent of the total damage incurred to water conservancy projects. Some 306,667 hectares of irrigated areas have been renovated.

Jiangsu Province mobilized 1.9 million farmers, and shifted 59.94 million cubic metres of earth and stone to build water conservancy facilities.

In Hubei Province, some 64,000 projects have been restored, accounting for half of the province's total damage.

In Hunan Province, almost 80 percent of the damaged water conservancy projects have been restored with the help of 5 million people.

According to statistics from the Ministry of Water Conservancy, the country had not suffered such heavy losses from flood since 1949.

A total of 14,300 kilometres of river and lake embankments were destroyed in 191,292 places. Fifteen small reservoir dykes collapsed.

#### Water Conservation Projects Under Way on Chang Jiang

OW0211100491 Beijing XINHUA in English  
0710 GMT 2 Nov 91

[Text] Beijing, November 2 (XINHUA)—A large-scale winter water conservancy drive has begun in six provinces in the upper reaches of the Yangtze River.

According to governments of the six provinces, at least one million people are engaging in farm land improvement and water projects. Work in the six provinces of Yunnan, Guizhou, Sichuan, Shaanxi and Hubei [as received] started earlier than any other year and the investment and project scale are all larger than last year.

Reports from Shaanxi Province said the province has, for the first time, organized forces to carry out a large scale investigation into the water conservancy problems in the province and put forward a number of proposals for the water conservancy drive.

Yunnan Province reported that it has regarded water conservancy projects as one of the two major decisive factors for economic takeoff in the coming decade. This year, the province has invested 20 million yuan in such projects and sent experts to provide professional guidance to water projects in different areas.

Hubei, Sichuan and Guizhou Provinces, which were hit by serious floods earlier this year, are concentrating their efforts on rebuilding and repairing damaged water conservancy projects and on irrigation and drainage projects. Hubei Province reported that it has completed work involving the removal of 50 million cubic meters of stone and earth.

Gansu Province planned to mobilize one-third of the rural manpower, some three million people, to engage in

water conservancy projects. By the end of early October, the province had mobilized 1.7 million.

The winter water conservancy drive is expected to reach its climax 10 to 20 days earlier than in the past, said Vice-Minister of Water Resources Zhou Wenzhi.

#### Jan-Sep Food Exports

HK0111103091 Beijing CEI Database in English  
1 Nov 91

[Text] Beijing (CEI)—Following is a list showing China's export volume of cereals, oils and food in the January-September period of 1991, released by the General Administration of Customs:

Name	Unit	1-9 1991	1-9 1990
Pig	head	2,126,530	2,177,713
Poultry	10,000	3,363	3,372
Beef	ton	104,581	63,602
Pork	ton	92,882	88,353
Frozen Chicken	ton	25,206	26,989
Frozen Rabbit	ton	7,312	12,686
Fresh Eggs	1,000	452,607	431,057
Aquatic Products	ton	234,031	236,576
Fish	ton	36,604	32,683
Prawn	ton	23,216	44,021
Cereals	ton	7,645,101	4,079,480
Rice	ton	393,794	168,867
Maize	ton	5,476,086	2,291,183
Pulses	ton	602,201	511,591
Soybean	ton	812,088	791,675
Vegetables	ton	683,155	574,083
Fruit	ton	86,644	111,099
Citrus	ton	25,721	25,802
Apple	ton	2,083	21,216
Sugar	ton	223,862	485,052
Canned food	ton	477,373	416,493
Pork	ton	91,600	72,830
Vegetables	ton	250,230	239,094
Fruit	ton	65,784	51,115
Others	ton	69,759	53,454
Peanut/Kernel	ton	354,969	294,619
Vegetable Oil	ton	78,722	118,771

#### Export Volume of Textiles in Sep 1991 Reported

HK2510093791 Beijing CEI Database in English  
25 Oct 91

[Text] Beijing (CEI)—Following is a list showing the export volume of China's textiles in September 1991,

according to statistics released by the General Administration of Customs:

Item	Unit	Sep 1991	Sep 1990
Cotton	ton	8,862	11,133
Cotton Yarn	ton	15,110	13,895
Artificial Yarn	ton	1,240	737
Cotton Cloth	10,000 m	18,573	16,911
Polyester Cotton Fabric	10,000 m	11,024	8,433
Rayon	10,000 m	251	147
Synthetic Fiber Cloth	10,000 m	3,871	2,292
Pure Silk and Satin	10,000 m	1,218	1,155
Wool Fabric	10,000 m	129	87

### World Bank Grants Agricultural Loans

OW0811092691 Beijing XINHUA in English  
0827 GMT 8 Nov 91

[Text] Beijing, November 8 (XINHUA)—The World Bank approved a loan of 162 million U.S. dollars to China for an agricultural development project in Guangdong Province, according to the World Bank resident mission in China here today.

The loan is repayable in 35 years, including a 10-year grace period.

The agricultural project aims to increase fish populations at 100-250 meter depths in the South China Sea. This will relieve pressure on near-coastal banks, develop coastal mud flats and low-lying land for aquaculture, increase production of fruit on sloping land, bring new land into agricultural production, and improve river-flow conditions in the Pearl River delta.

The project would include the following: Provision of 86 fishing vessels, construction of about 4,000 ha of ponds and 11,000 cages for aquaculture, improvement of 10,700 ha and establishment of 3,300 ha of orchards on uncultivated hilly lands, land reclamation works for improvement and expansion of 6,500 ha of sugarcane, and establishment of agro-processing facilities to utilize locally available raw materials.

### Prairies Offer New Hope for Animal Husbandry

OW0311053291 Beijing XINHUA in English  
0206 GMT 3 Nov 91

[Text] Guiyang, November 3 (XINHUA)—While grasslands in north China are facing deterioration and desertification, prairies in south China have become new hopes for livestock husbandry.

In the past 10 years experiments in ameliorating hilly grassland have been successfully carried out in Guizhou, Hunan and Hubei Provinces.

In Guizhou, some 70,000 ha of grassland has been developed in 74 counties out of the total 86 counties, and the amount of livestock has increased by a net 50 percent in the past 10 years. This year Guizhou will have 13.6 million pigs, 1.8 million sheep and 6.8 million head of other livestock.

In Hubei where farmers are well-known for their rice and cotton planting techniques, most previously barren mountains and hills are now covered with grass.

Li Shaomi, a leading expert on animal husbandry, said that the central government and local authorities have in recent years invested 4.4 million yuan to help develop 36,000 ha of grassland, where farmers raise 7.5 million head of livestock.

In these provinces animal husbandry has become a major production sector in the countryside.

Zhang Xinghong, a poor farmer of the Yi nationality in Taisha village in western Guizhou, attributed his engaging in the livestock husbandry for a huge increase in his standard of living; his annual income from animal husbandry far exceeds that from crops.

Many exemplary sections of grassland have been developed in Guizhou, and the local authorities provide technical training, loans, production materials and sales services.

Experts say that a farmer with an area of contracted grassland of 30 ha to 40 ha can have an annual income of more than 10,000 yuan. There are now 200,000 such farmers in Guizhou.

Hubei has successfully raised northern fine-wool sheep since 1987; the total number amounts to some 30,000 now.

Professor Ren Jizhou, a prominent grassland ecologist, has been carrying out research on setting up a high-efficiency grassland ecological system in south China.

One contribution that Professor Ren has made so far is that he and his colleagues have solved the problem of deterioration of grassland in south China.

Also, Ren's group has carried out comprehensive research on introduction of grass seeds, management of grassland and commercialization of livestock raising.

Moreover, the United Nations Food and Agriculture Organization has decided, after on-the-spot inspection and appraisal, to provide funds to develop 1,470 ha of grassland in Hubei within three years in a bid to help local farmers further develop the livestock industry.

### Soil Erosion Control Efforts Pay Off

OW3110122391 Beijing XINHUA in English  
1109 GMT 31 Oct 91

[Text] Beijing, October 31 (XINHUA)—Eight areas in China suffering serious soil erosion problems have

changed considerably since they were targeted by the State Council as major erosion areas in 1983, according to today's PEOPLE'S DAILY.

Nearly 15 percent of the total land area in China suffers from serious erosion; the eight particularly hard-hit areas are located on the upper and middle reaches of Yellow and Yangtze Rivers, parts of Jiangxi and Liaoning Provinces, and the suburbs of Beijing.

Since 1983, the state has allocated 270 million yuan and sent nearly 800 scientists and technicians to help check the erosion. Local people have completed 1.15 million ha of soil and water-holding forests, and 338,000 ha of grassland. They have also constructed 233,000 ha of terraced fields and a number of water conservancy projects.

Soil erosion problems have been controlled on 47.2 percent of the 77,400 square kilometers of soil in Wuding, Sanchuan and Huangpu River areas and Dingxi County.

The benefits are already accruing: compared with 1982, total grain production in these areas has increased by 53 percent, total agriculture output value rose by 1.46 times, and average income per capita increased by 2.6 times.

#### **Agriculture in Liaohe Delta Forging Ahead**

*OW1111102491 Beijing XINHUA in English  
0739 GMT 11 Nov 91*

[Text] Shenyang, November 11 (XINHUA)—The Liaohe Delta, which has been listed as a key agricultural development zone by the State Council, has achieved good results after three years of development.

Situated in the central part of northeast China's Liaoning Province, the Liaohe Delta is one of the seven largest deltas in the country. It has great potential for developing agriculture.

During the Seventh Five-Year Plan (1986-90) period, the Central and Liaoning Provincial Governments and Panjin City in Liaoning allocated a total of 170 million yuan to build a 22-km tidal barricade along the Bohai Sea. In addition they constructed a 30-km irrigation and drainage trunk canal and a 16.4-km asphalt road in the zone. Fishponds. [as received]

Development of the Liaohe Delta has promoted the local agricultural industry, according to Wang Xiangmin, secretary of the Panjin Municipal Chinese Communist Party Committee.

Despite severe flooding in the area in the last two years, Wang said, the average per ha grain output reached 8,700 kg in the delta, the highest in the country's northern region. Grain output of the low-yield and waterlogged land in the delta, which produced only 4,000 kg of grain per ha before being reclaimed in 1988, increased by 73.92 million kg.

Wang said, that thus far, the whole delta has opened 100,000 ha of paddy rice fields, and built 13,000 ha of breeding areas for prawn, jellyfish, river crab and clam. As a result, the amount of foreign exchange earned by the delta reached 40 million yuan a year. The average per capita income of the delta increased by 500 yuan.

During the coming five years, 70 million yuan will be invested in the delta to construct the foreign exchange base.

According to the overall program outlined by the Panjin City government, by 1995, the output value of the delta's forestry, animal husbandry, sideline, fishery and salt industries will be increased by 900 million yuan. Foreign exchange will amount to 100 million yuan and profit will stand at 190 million yuan. The delta will become an important agricultural foreign exchange earner for Liaoning Province, Wang said.

#### **Heilongjiang Attracts Foreign Funds for Agriculture**

*HK1311014691 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1148 GMT 2 Nov 91*

[By reporter Jing Xiaolin (4544 4562 2651): "Heilongjiang Adopts New Favorable Policies for Using Foreign Funds To Promote Comprehensive Agricultural Development"]

[Text] Beijing, 2 Nov (ZHONGGUO XINWEN SHE)—Heilongjiang Province has formulated a series of favorable policies for attracting foreign investment and developing joint ventures and contractual projects to further speed up comprehensive agricultural development.

Heilongjiang Governor Shao Qihui announced this at today's news briefing here.

Shao Qihui said: From now on, foreign-funded enterprises that operate in Heilongjiang for 10 years or more will be exempted from local taxes for 10 years after they begin to yield profits. Enterprises which export products with a total value exceeding 50 percent of its output value in a year will also be exempted from local taxes in the same year. Moreover, enterprises involved in projects of developing resources; saving energy; and conducting farming, forestry, fishery, and animal husbandry production will continue to be exempted from local taxes after their tax holiday expires.

In addition, the province also adopted such favorable policies as reducing or canceling land development fees and land use fees imposed on foreign-funded enterprises which reclaim wasteland for their production, canceling mandatory grain purchases from agricultural development projects, and exempting foreign-funded enterprises from urban public works construction fees.

Governor Shao Qihui said that Heilongjiang will mainly use foreign funds for large-scale development in the

Sanjiang and Songnen plains. At present, this plan has been approved by the state and has been put into practice.

It is learned that in the next two years, Heilongjiang will invest a total of nearly 1 billion yuan in comprehensive agricultural cooperation, and the whole project will include the transformation of 7 million mu of low-yield fields, the reclamation of 1 million mu of wasteland, the transformation of 1 million mu of grasslands, and the creation of 500,000 mu of forests.

Shao Qihui said: By 2000, the comprehensive agricultural development zones in Heilongjiang will create an additional grain production capacity of 6.6 billion kg, and will become a major commodity grain production base of the state and a major agricultural export base, mainly producing soybeans.

### **Heilongjiang Plans More Investment in Sanjiang Plain**

*OW0711051391 Beijing XINHUA in English  
0925 GMT 6 Nov 91*

[Text] Beijing, November 6 (XINHUA)—Northeast China's Heilongjiang Province will invest another 996 million yuan in the next three years to carry out further agricultural development on the Sanjiang Plain.

Located in eastern Heilongjiang Province, the plain has a total area of 144,700 sq km.

Since the State Council approved carrying out agricultural development on the plain in April of 1980, local people have improved 535,800 ha [hectares] of low-yield farmland, reclaimed 127,000 ha of wasteland, improved 53,000 ha of grassland, and planted 110,200 ha of trees, today's overseas edition of the PEOPLE'S DAILY reported.

According to the newspaper, last year the plain added to Heilongjiang Province's total output of grain by 1.5 billion kg, and the income realized from the increased output was 2.4 billion yuan.

Per capita income in the development zone of the plain reached 640 yuan last year, an increase of 52.4 percent over 1987.

However, the newspaper quoted Shao Qihui, governor of the province, as saying that 2.93 million ha of other low-yield farmland still wait to be improved and another one million ha of wasteland also need to be opened up.

In addition, more water areas, reed ponds, grasslands, and hilly areas, with their areas totaling 9.56 million ha in the plain could also be developed and utilized, said the governor.

He added that to speed up further agricultural development on the plain, Heilongjiang Province has also worked out a series of preferential policies to encourage more investment for the development.

### **Heilongjiang Opens Sunflower Seed Wholesale Market**

*OW1011095591 Beijing XINHUA in English  
0737 GMT 10 Nov 91*

[Text] Harbin, November 10 (XINHUA)—China's first sunflower seed wholesale market opened Friday in Zhaoyuan County in northeast China's Heilongjiang Province.

On the first day of business, the market purchased and sold 700,000 kg of sunflower seeds.

The sunflower-growing area in Zhaoyuan County, located on the plain along the Songhua and Nenjiang Rivers, reached 10,000 hectares and annual output reached 50 million kg.

The wholesale market is oriented toward the whole country, and is expected to promote sunflower seed production and processing.

### **Guangxi Records Increase in Farmland**

*OW1511114391 Beijing XINHUA in English  
0602 GMT 15 Nov 91*

[Text] Nanning, November 14 (XINHUA)—The Guangxi Zhuang Autonomous Region has recorded a net increase of some 37,300 hectares (ha) of farmland during the past five years.

The increase has occurred despite a large number of construction projects, damage caused by natural disasters, and afforestation and pasture land reclamation projects designed to maintain the ecological balance.

The most recent official statistics verify that the trend towards declining farmland has been reversed in this particular region in South China.

Farmland, a scarce resource in China, averages only 0.1 ha per capita in this country with only seven percent of world's farmland, but which feeds 22 percent of the world's population.

Prior to 1985, total available farmland in the region fell by 7,300 ha annually. In order to reverse the trend, the region established multi-level land administration departments, and conducted intensive publicity programs related to land laws, as well as conducting investigations and allotting punishment in over 390,000 cases involving [words indistinct].

At the same time, local governments encouraged farmers and various social organizations to reclaim wasteland.

The regional and administration reports that over 102,600 ha of wastelands have been reclaimed during the past five years.

### **Tianjin's Achievements in Developing Rural Economy**

*SK0811044791 Tianjin People's Radio in Mandarin  
2300 GMT 6 Nov 91*

[Text] On 6 November leading comrades of the municipal government invited some People's Congress deputies and some members of the municipal committee of Chinese People's Political Consultative Conference [CPPCC] to a forum on the rural economic and work situation and on studying the rural work tasks in the future.

Entrusted by the municipal government, Vice Mayor Lu Huansheng reported on the municipality's rural economic situation and rural work situation of 1991.

The municipality's rural economy steadily increased this year. In the first half of the year, the total output of the rural society reached 15.6 billion yuan, showing an increase of 18.3 percent over the same period last year and accounting for 52.2 percent of the annual plan. In the first eight months of this year, the revenues in the suburban counties reached 623 million yuan, registering an increase of 18.05 percent over the same period of 1990, and the growth rate increased by 2 percent. The municipality reaped another bumper agricultural harvest. The total summer grain output reached 650 million kg, showing an increase of 4.8 percent over last year and bumper harvests for seven consecutive years. The municipality is expected to set a record in annual grain output. Headway was made in the overall agricultural development. The output and marketing of major foodstuffs were stable. The town and township enterprises maintained a stable development tendency. The municipality made rapid headway in developing the export-oriented economy. The municipality has basically accomplished the 10 specific deeds for improving the livelihood of the rural people.

### **Shandong Marks Progress in Agricultural Production**

*OW1111025191 Beijing XINHUA in English  
0210 GMT 11 Nov 91*

[Text] Beijing, November 11 (XINHUA)—Shandong Province in East China has made a marked average increase of its agricultural production value by 14 percent in the last three years.

The annual production capacity of grain in the province has increased by 992 million kg, cotton by 85.85 million kg, oil-bearing crops by 42.13 million kg, and meat by 58.6 million kg. The improvements result from three years' efforts in agricultural development, the PEO-  
PLE'S DAILY today quoted Meng Yun, deputy director of the provincial Agricultural Committee, as saying.

Meng is now leading a delegation to take part in a national agricultural achievement exhibition held in Beijing.

In the three years, the province invested 1.28 billion yuan (242 million U.S. dollars) in agricultural development projects including improvement of 543,300 ha [hectares] of low-yield farmland, and reclaiming 61,300 ha of waste land, according to the paper.

State agricultural development projects in Shandong, including the Huanghuaihai Plain, Yellow River Delta and Qingdao areas, involve 10 million ha of land with nearly 5 million ha cultivated. The three zones occupy about two-thirds of the total area of the province, the paper said.

Progress has also been made in anti-natural disaster facilities construction and in using new farming technologies in the province.

### **EC Grants Farming Development Loan to Xinjiang**

*OW2910183291 Beijing XINHUA in English  
1642 GMT 29 Oct 91*

[Text] Brussels, October 29 (XINHUA)—The Commission of European Community decided today to provide a loan of 3.6 million European currency units (4.32 million U.S. dollars) to China's Xinjiang autonomous region for the development of its farming.

A press release from the commission said that the loan was meant to foster the production of wheat, maize, sunflower seeds and other crops in the region to ensure an increase in income from farming and food supplies.

It was learned that the loan would also be used to fund agricultural experiment and research projects and programs serving agriculture.

### **Jiangxi Raises Funds To Improve Water Projects**

*OW0711114891 Beijing XINHUA in English  
0928 GMT 7 Nov 91*

[Text] Beijing, November 7 (XINHUA)—East China's Jiangxi Province has relied on its local forces in raising funds and labor to improve its water control facilities, a provincial official said.

In 1990 alone, the investment by local people with cash or in the form of participating in water project construction amounted to more than 600 million yuan, about 70 percent of the total investment of the province, according to statistics. This figure doubled that of 1986.

This autumn, 2.43 million farmers worked at the irrigation project sites.

Being a province with farming as its mainstay industry, Jiangxi has long paid attention to the building of water-control projects. The provincial government has adopted a series of measures to promote the work. The official said that even in the most difficult financial years, governments at different levels would still squeeze funds to improve water-control projects.

Since 1986, investment in water-control projects has increased at a 10 percent annual rate, according to the official.

Xingguo County, a region which has suffered serious soil erosion, has initialized [as received] the collective and individual forces. At present all its 27 townships have set up water control funds.

Last year, the county completed 5,251 various kinds of water control projects with self-raised and government funds and increased irrigated farm fields by 3,400 ha. Despite heavy drought in the region this summer, it still had a big harvest.

Other regions of the province have achieved similar progress, according to the official.

**Massive Flight of Professionals**

92CM0047A Taipei CHUNG-KUNG YEN-CHIU  
[STUDIES ON CHINESE COMMUNISM] in Chinese  
No 297, 15 Sep 91 pp 55-62

[Article by Pai Shui (4101 3055): "A Probing Analysis of the Mainland's Talent Drain"]

[Excerpt] [passage omitted] Highlights of exposes on the mainland talent drain in recent Communist Chinese publications are described and analyzed below:

### 1. Scientific and Technical Talent Drain Situation Severe

Hou Hsiang-lin [0186 4382 0779], committee member of the Chinese Academy of Sciences, and Deputy Director of the science and technology committee of the Chinese People's Political Consultative Conference [CPPCC], representing its science and technology committee at the 7th Plenary Session of the 4th CPPCC, gave a speech on "Competition for Talent and its Drain," and said that the most important drain is among overseas students who do not return home. Since 1978, of the 90,000 students sent overseas, only 40,000 have returned up to now. The proportion of those who do not return is high, and the tendency to increase annually is especially serious among those who go to the United States. For example, from 1979 to 1990, a certain research institute of the Chinese Academy of Sciences sent 236 students overseas for education or advanced study, only 103 returned. Research students with notable accomplishments who do not return is even more serious, almost all of the Ph.D.'s of some of the most prominent universities stay overseas, to the great disappointment of the teachers who trained these students. A few years ago, the "Sino-American" joint entrance examination sent 915 physics research students to the United States. All were young front-runners in physics; as of now, fewer than 50 have returned. Some completed their studies, and went back to work, but due to work or living conditions being unresolved went overseas again. What is even more serious is that the talent drain is not just students, but has reached the middle-aged scientific and technical backbone. The technical backbone of some high-level science research units, in recent years successively look for opportunities to go overseas, causing a severe shortage of such talent among research sections and study groups, affecting not only the quality of impending scientific research, but also future research manpower, training and growth. (Footnote 2) (QUNYAN Jun 1991)

The largest Communist Chinese scientific and technical talent center, the Chinese Academy of Sciences, which has 150 research institutes and direct subordinate units, is also a talent drain disaster area. The newest sampling study by the Academy's personnel office at the beginning of the year shows that among 43 research institutes, none of the 488 heads were younger than 35, only 4.3 percent were between 36-45. Of 440 deputy research section chiefs, only 8.2 percent were under 45. Of 1300 study group leaders, only 5.2 percent were under age 40. At

present, the average age of the Academy's scientific and technical personnel is 44; those who are 50 or near 50 account for more than 50 percent; the average age of more than 13,000 high-grade professionals exceeds 55, deputy researchers are also around 50; those under 45 total less than 650. According to forecasts, by the year 2000, the 20,000 or so scientific and technical personnel who entered the Academy in the 1950's and 1960's will largely have vacated their posts, they include most of the learning and vocational giants. Very clearly, the Academy is facing an aging force, and of a break in talent continuity with insufficient reinforcing strength, particularly in a newer generation of leaders in learning and vocation. (Footnote 3) (LIAOWANG 21 Jan 1991)

### 2. Young Teachers Have "Overseas Fever"

CPPCC committee member Kuan Mei-ku [4619 2734 6253] at the 7th Plenary Session of the 4th CPPCC submitted "Study Report on the Present Instability of the Higher Education Teacher Corps and the Problem of Break in Continuity," in which he strongly stressed the accuracy of the data. He demanded that the authorities concerned pay strong attention. He said that the "continuity break" problem among universities was far from a solution and even expanding! Young teachers who went overseas and returned were extremely few. (Footnote 4) (RENMIN ZHENGXIE BAO 2 Apr 1991) According to statistics from 51 Shanghai institutions of higher learning, from 1986 to August 1989, 3,318 teachers stayed overseas, the majority were young. (Footnote 5) (RENMIN ZHENGXIE BAO 6 Apr 1991) This reflects the widespread dislike for teaching and its abandonment by young teachers in many of Shanghai's higher education institutions. In recent years, young teachers have "overseas fever." According to studies of each Shanghai higher institution, 90 percent of young teachers think of going overseas. Like "heavenly maidens spreading blossoms," they scatter contact letters, many have the attitude of "a single thought to learn a foreign language, and leave the country." (Footnote 6) (LIAOWANG 15 May 1989) According to a study done by Shanghai's CPPCC last year, at present the higher education teaching force, due to the continuous drain among Shanghai's young teachers, continuation and passing on of teaching work, has reached a crisis. In particular, Fudan University, Communications University, Second Medical School and Tongchi University, four of the most famous schools, have the most serious situations; the lost teachers are among the most talented in wielding their professional specialties; just when they are ready for independent work, they fly the coop. If the problem is not earnestly solved, not only the time and money to train them is wasted; at the same time, the aging problem among first-line teachers will worsen, and the phenomenon of break in continuity among Shanghai's universities will be unavoidable and worsen. (Footnote 7) (RENMIN ZHENGXIE BAO 13 Apr 1990)

### 3. Prominent Drain in the Arts

According to the CPPCC's Cultural Education Committee investigation group's study last April to the end of the year, in the last 10 years, there has been an incessant drain overseas of talented people from the Peiping and Shanghai artistic teams and schools, bringing about ramifications hard to assess. The Central Orchestra and the Shanghai Symphony, due to the departure of superior conductors overseas, now cannot have long-term successors. At the same time, because a number of leaders, and assistant leaders of various sound groups and other such mainstays have left, there has been a serious impact on quality. In recent years, the departure of artists, people of letters and teachers from various teams and schools shows an increasing trend. At first the lead actors and actresses left, later other actors, staff and even workers left. A few years ago, they went to the United States, Japan, Europe, Hong Kong and other developed countries or regions; in the recent two years, they are also going to Fiji, Kenya, Panama and other developing countries in Asia, Africa and Latin America. A few years back, the ones leaving almost always were talented people in international type artistic categories such as Western music, ballet, etc.; in the recent two years, even Chinese folk musicians are leaving. Several years back, those that left were already working in their fields, actors, music majors and researchers. Now those who are in the middle schools attached to the music schools are fighting for departure. Aside from this, those talented in arts and letters have the following characteristics:

1. Most are professionals, mainstays, lead actors and actresses.
2. Most are young, they are in the 25-35 range.
3. Most went overseas at their own expense, and most went to the United States.
4. Most have pursued their specialty overseas, and some have made distinctive achievements in their new areas. (Footnote 8) (LIAOWANG Jun 1991)

Li Kuang-hsi [2621 0342 5032], member of the CPPCC and actor in the Central Opera Theater, stated that, in recent years, in the Central Orchestra, Central Opera Theater, Central College of Music and the Central Ballet Company alone, some 600 lead performers have stayed overseas. (Footnote 9) (RENMIN ZHENGXIE BAO 2 Apr 1991) In fact, the training of these talented people

has been hard, generally they were picked from tens of thousands; and they were trained for a long time as special talent. Because of this drain, these arts and letters groups are in dire straits. For example, the Central Ballet Company in 1986 could still count on six lead male and female couples to anchor a performance, but by 1990, most went overseas to become the main strength in foreign dance companies, and the Central Ballet Company was reduced to one and a-half couples of lead performers that could hold the main fort. The company head, Li Ch'eng-hsiang [2621 2110 4385] cannot at present consider how to raise the artistic level of the company, but must worry about how to get people to fill roles. The company's Feng Ying [7458 5391], T'ang Min [0781 2404], Chang Tan-tan [1728 0030 0030], Kuo P'ei-hui [6753 1014 1979], Chang Wei-ch'iang [1728 5898 1730], Chao Min-hua [6892 3046 5478], Chang Ruo-fei [1728 5387 7378], Chu Yao-p'ing [2612 5069 1627], et al., were all at the mature stage of being over 20 but not quite 30 when they departed and scattered, forcing the ballet company to lose much of its luster. (Footnote 10) (TA KUNG-PAO 6 Jun 1990)

### 4. The Athletic Talent Drain Is Just Unfolding

At present, the athletic talent drain is mostly in the table tennis area; to Japan alone, the mainland has lost more than 100 players from various provinces and cities, and also "national class" selectees. There is even the spectacle of "Chinese playing Chinese." For example, Hopei team selectee Keng Li-chuan [5105 7787 1227] represented Canada in defeating Hopei member Kao Chun [7559 6511]. Currently, Li He-nan [2621 6378 3948], who had won the women's table tennis world championship for the mainland, calisthenics team members Li Hsiao-p'ing [2621 1420 1627], T'ung Fei [4547 7236], Li Yueh-chiu [2621 2588 0036], Wu Chia-ni [0702 0163 1200], diving team members Li K'ung-cheng [2621 1313 2398], Ch'en Hsiao-hsia [7115 5135 7209], Li Hung-p'ing [2621 1347 1627] and women's volley ball team captain Lang P'ing [6745 1627] generally work in the United States. Europe and Japan as well have roped some famed players. As a result, mainland sports people are laden with worries, concerned that the unique and creative training methods and techniques of mainland athletes are about to be captured by foreign players, and will become competitive pressures when matched with mainland athletes.

[passage omitted]



**New Political Activist Dr C Y Lee Profiled***92CM0048A Taipei TZULI WANPAO in Chinese  
29 Sep 91 p 2*

[Article by reporter Li Ch'iung-yue (2621 8825 2583): "Seeking the Truth and Guarding Medical Circles, the Impulse To Protest Arises From Best Intentions"]

[Text] Last year, 75-year-old Academic Sinica member Li Chen-yuan [2621 6966 3293] joined the fast and sit-in held by students and professors in Chungcheng Hall demanding: "Dissolve the National Assembly, eliminate the Provisional Articles, convene a civilian national affairs conference, and establish a timetable for democratic reform." This was his first appearance in a street demonstration. This year, students staged a fast for constitutional reform at the gates of Taiwan University. Li Chen-yuan made a special trip to express his concern for their physical well-being. He also took to the streets as an observer during the "5-20 anti-government oppression demonstration." Each of these steps took him further away from his academic field.

Taiwan University Pharmacology Institute Director Teng Che-ming [6772 0772 2494], one of Li Chen-yuan's students, said that when he saw his beloved teacher participating in the "Action Alliance of 100," vigorously promoting the abolition of the 100 articles of the corporal punishment law, people were concerned that Dr. Li was being used. However, Teng wanted to stress in particular that a scientist conscientiously pursuing the truth in a scientific field would not blindly join in because of some trivial idea. Teng said that Dr. Li had attended international conferences, and understood international issues, and that he had more understanding of Taiwan's political prospects than any official. In international academic circles, everyone knew that he was C.Y. Lee (Li Chen-yuan's English name) from "Taiwan." Teng Che-ming stressed that Li Chen-yuan's staunch support of the protest movement was based on his extensive education and objective approach.

In September, when Li Chen-yuan took the lead and went with Taiwan University colleagues to T'u-ch'eng detention center to visit Li Ying-yuan [2621 2019 0337] and Kuo Pei-hung [6753 0223 1347], he burst into tears seeing the great sacrifice made by these outstanding young people for Taiwan. People in medical circles who know Li Chen-yuan believe that since he has taken a stand, he cannot be silent. Indeed, in addition to sparing no effort in joining the "Action Alliance of 100," ignoring his asthma, Li Chen-yuan has privately and nonstop visited medical circles, academic circles, and old acquaintances to drum up support for the protest movement.

In the process of rushing about struggling for support, Li Chen-yuan was most concerned about the revelation that before visiting Li Yuan-che, an intermediary reported that he was concerned that Li Yuan-che would cause trouble. At evening he urgently wanted to convey his regrets personally, but no one answered Li Yuan-che's

telephone all evening, and he could not sleep at all that night. The next day, after he had sent his compliments he felt more at ease. His desire to excuse others arose from his honest and sincere character.

In a lecture he gave on the 27th, Li Chen-yuan said that his guides in political advocacy were young people. When talking about his feelings about being involved in this movement, Li Chen-yuan said, "This is something I never imagined even in my past dreams." But seeing the fates of Kuo Pei-hung and Li Ying-yuan could not but make him recall the remains of his friends and classmates who were senselessly seized during the "2-28 Incident," and he felt even more that the government should rehabilitate these people and clear their records. Academician Ch'ien Hsi [6929 3556] also vividly described Li Chen-yuan's tendency to choose what is good and adhere to it: "...Sometimes classmates or friends hold different views, but each time Mr. Li stuck to his principles, no one could suspect his grasp or sincerity of knowledge and truth. When inquiring into the facts, he naturally tolerates different voices, but you certainly respect his views. In fact, his conclusions stand up to scrutiny, for the most part. Yet I think that more commendable than whether he is right or wrong is his attitude to uphold the highest good in his scholarship and discussion of the facts. That is the spirit of "if I am right, though there are many obstacles I will continue." We studied with Mr. Li and learned the superficial, but very few people adhered to these profound doctrines.

Li Chen-yuan, who is 76 this year, was born in Shih-tzu-t'ou, T'ai-nan 1915. His was educated at what is now the T'ai-nan Li-jen-kuo Elementary School, and what is now the T'ai-nan First Middle School. Four years later he was recommended for admission to the T'ai-pei Higher School of Medicine, then entered the Department of Medicine at T'ai-pei Imperial University. Li Chen-yuan wanted to study medicine because he "saw his father or other sick people die of illness and he was powerless to help them. He was very moved by this and set as his long range goal to save the world and reduce human suffering." Li Chen-yuan's contribution to research on snake venom was the publication in 1945 of the article "Research on zhenlian [6966 6969]-type Snake Venom Toxins" which disclosed for the first time the reason snake venom caused death. During the Viet Nam War, the U.S. Army heard of his reputation and commissioned him to conduct research on snake venom. After eight years he finally isolated the nerve toxins in snake venom that caused death, and his world class contributions in nerve biology leaped from "fact" to "underlying causes." Perhaps even today in studying pharmacology in medical schools, people may not fully understand Li Chen-yuan's contribution to medicine, not to mention society in general.

Li Chen-yuan was elected a member of the Academia Sinica in 1970 because of his outstanding contributions to medicine through his research on snake venom. In

1976 he received the highest Red Award of the International Society of Toxicology (this award has only been given seven times), and the following year he became an honorary member of the U.S. Pharmacology Society. In 1985 he was elected president of the International Society of Toxicology, and received the society's first special research prize. He thus became one of the very few Taiwan scholars to be put in charge of an international scholarly body.

During Yen Chia-kan's [0917 1367 3227] presidency, when Japanese medical specialists visited Taiwan, he told President Yen that Li Chen-yuan's contributions to medicine were of "Nobel Prize" quality. In fact, Li Chen-yuan has been nominated for the Nobel Prize several times, which demonstrates his international reputation. Academia Sinica president Wu Ta-yu [0702

1129 3731] has proposed that the Executive Yuan announce a special prize for Li Chen-yuan's long-term contributions to Taiwan.

This year, for the first time, the president of Taiwan University College of Medicine was elected. Because he has no use for pre-election entertaining and such, Li Chen-yuan, who has been retired for many years, indicated bluntly at the last meeting for candidates to expound on their political views, that this election was a historical first among elections at the Taiwan University College of Medicine, and that it was also the election of the highest intellectual nationwide. If this were the electoral situation, then there was hope for Taiwan.

Li Chen-yuan has left academe, and has joined the ranks of those pushing for democratic reform in Taiwan. This adds the special record of a full political life to his medical accomplishments.

**Official Says Taiwan Will Take Part in Economics**

*HK2710012091 Hong Kong SOUTH CHINA MORNING POST in English 26 Oct 91 p 5*

[By Daniel Kwan]

[Text] Taiwan will take an active part in the economic construction of Hong Kong even though the territory will revert to Chinese control in less than six years, Taipei's top envoy in Hong Kong said yesterday.

Mr John C.I. Ni, managing director of Chung Hwa Travel Service, said his government was keen to see an increase in investment and trade with Hong Kong.

"We are doing this because as we embark on our Sixth-Year National Development Scheme, we find that we can learn a lot from Hong Kong," he said referring to a grandiose scheme by Taipei to upgrade its infrastructure and industry.

Chung Hwa Travel is the de facto representative office of Taiwan's Foreign Ministry in the territory. Before his posting here in the summer, Mr Ni was the director-general of the Industrial Development and Investment Centre under the Ministry of Economic Affairs.

"Our leaders are very concerned about the livelihood, economy and stability for the 5.8 million Hong Kong

compatriots and therefore I was sent here, as the managing director of Chung Hwa Travel...hoping that more [Taiwan] businessmen will come to invest in Hong Kong," he told the SOUTH CHINA MORNING POST.

"In the internationalisation process of our manufacturers, they would benefit a lot by making use of Hong Kong's international experience and its capital market."

In addition to tourism and trade, Mr Ni said Taiwan was also keen to cultivate a close working relationship with the local financial community.

Mr Ni said while the Hong Kong Government had already approved the opening of representative offices of three Taiwanese banks, more private companies were interested in establishing a foothold here.

"We sincerely hope that these representative offices can soon be upgraded to the status of branches so that more of our financial institutions can open their subsidiaries here to provide more services," he said.

Bilateral trade between Taiwan and Hong Kong increased dramatically in recent years as tension eased across the Taiwan Strait. According to Taiwan's statistics, Taiwan-Hong Kong trade has jumped 47 percent in the first seven months this year and 20 percent of Hong Kong's visitors came from Taiwan.

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